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Heart Patient Is Stable

2d Operation Conducted to Stem Bleeding

The Associated Press

LOUISVILLE, Kentucky — William J. Schroeder, the world's second recipient of a permanent artificial heart, was in critical but stable condition Monday after undergoing a second operation to stop bleeding after the implant.

"I'm happy to tell you the patient is doing very well this morning," said Dr. Allan M. Lansing, chairman of Humana Heart Institute International, where Mr. Schroeder's malfunctioning heart was replaced with a softly clicking air-driven device in a seven-hour operation Sunday.

"He is not bleeding," Dr. Lansing said. "He is warm, pink and dry, indicating excellent circulation. There appear to be no major complications."

Mr. Schroeder, 52, is sedated and will continue to be on a respirator to assist his breathing. He shows slight kidney and liver problems, but these are to be expected after open-heart surgery, Dr. Lansing said.

The principal danger during the next week is that Mr. Schroeder might develop an infection, Dr. Lansing said. Another potential complication is that he could develop a clot in the pulmonary artery from the heart to the lungs.

The Jarvik-7 heart, similar to the one that kept Dr. Barney B. Clark alive for 112 days in Salt Lake City two years ago, was functioning normally, as was its drive system, Dr. Lansing said.

Dr. Robert K. Jarvik, the artificial heart's inventor, said in a television interview Monday morning that Mr. Schroeder had "done very well over the night, considering the bleeding problem, which seems to have alleviated overnight."

Shortly after the operation, Mr. Schroeder had been wide awake, squeezed the hand of Dr. William C. DeVries, the surgeon in charge of implanting the heart, and even tried to get out of bed, Dr. Lansing said.

But Sunday evening, less than six hours after the heart implant was completed, the patient was rushed back to the operating room when doctors could not stop a flow of blood that was accumulating in his chest.

By the time the bleeding was stanched, about 90 minutes later, Mr. Schroeder had lost 8,000 cubic centimeters of blood, or about half of the blood in his body, Dr. Lansing said.

The blood was leaking from a hole where the artificial heart was stitched to the aorta, the principal artery that carries blood from the heart to the rest of the body.

Dr. Lansing said some internal bleeding had been expected because of scar tissue on Mr. Schroeder's arteries from earlier bypass surgery.

Mr. Schroeder had twice signed a long consent form that spells out in great detail the things that can go wrong when an artificial heart is implanted. Dr. Clark, the first recipient, never left the hospital and died of circulatory collapse after several of his organs failed.

For the rest of his life, Mr. Schroeder will be linked by flexible plastic tubes to an external power supply. He is now being sustained by a console the size of a small refrigerator.

Dr. DeVries came from the University of Utah to Humana Hospital Audubon, where the heart institute is located, after the private for-profit company promised $10 million to $25 million to pay for 100 artificial heart implants.

The Associated Press

Doctors William C. DeVries, left, and Ronald Barbie placing an artificial heart in William J. Schroeder's chest.

U.S. to Be 'Flexible' In N-Talks

McFarlane Says Shultz Will Aim At Compromise

By James F. Clarity
New York Times Service

WASHINGTON — Robert C. McFarlane, President Ronald Reagan's national security adviser, has said that the United States is prepared to be "flexible and constructive" in arms control talks with the Soviet Union.

Mr. McFarlane said on Sunday that the United States would be seeking grounds for possible compromise with the Soviet Union in preliminary talks between Secretary of State George P. Shultz and Foreign Minister Andrei A. Gromyko, set for Geneva on Jan. 7 and 8.

While the tone of some his remarks was positive, Mr. McFarlane cautioned that he expected no quick agreements on arms control. He was interviewed in Washington on the CBS News program, "Face the Nation."

Mr. McFarlane said that before the talks the United States would not unilaterally impose a moratorium either on the deployment of its nuclear missiles in Western Europe or on the testing of anti-satellite missiles in space.

On Thursday, the United States and the Soviet Union announced that the talks would consider "the whole range of questions" on nuclear arms and outer-space weapons. Involved are three areas of negotiation: medium-range missile talks, broken off by Moscow a year ago; strategic arms talks, last held in December 1983, with the Russians refusing to set a date for another session, and talks on anti-satellite and space weaponry, proposed by the Soviet Union in June.

"We are ready," Mr. McFarlane said. "The decision process to get

(Continued on Page 2, Col. 1)

The Associated Press

A Lebanese Army soldier on Monday searched a young man for weapons along a major thoroughfare in West Beirut as the government started a new plan to extend its control.

U.S., Citing Iraq's Changed Attitude, Resumes Ties Broken 17 Years Ago

United Press International

WASHINGTON — The United States, ending a 17-year break in relations prompted by the 1967 Arab-Israeli war, resumed full diplomatic ties Monday with Iraq and hinted that the move could help enhance the stability of the Middle East.

The announcement, expected for some time, was made by Larry Speakes, a White House spokesman, after a half-hour meeting between President Ronald Reagan and Foreign Minister Tariq Aziz of Iraq.

A senior administration official, cautioning not to expect any sudden changes as a result, said the resuming of relations did not portend a closer military relationship between the two countries or align the United States with Iraq in its four-year war against Iran.

"This step today with Baghdad should not be read as a step against Iran," the official said. "This is a bilateral matter, a normal matter of resumption of relations."

The official said the United States would talk with Iran about better relations "when Iran ceases its support for international terrorism and when Iran is prepared to seek a negotiated settlement of the war with Iraq."

Even with diplomatic relations restored, Iraq will not have access to U.S. military hardware.

The officials acknowledged concern by Israel, but they contended that there has been "an evolution in the Iraqi attitude" in recent years that could make Baghdad an important player in the Middle East.

The senior official pointed to comments by President Saddam Hussein of Iraq that emphasized the need for a relationship between Jordan and the Palestinians, a proposal made by Mr. Reagan in September 1982, and a statement that "no Arab leader looks forward to the destruction of Israel."

"I think if you add up some of those comments, you can see why we're interested in dialogue," the official said.

The two missions "are upgraded as of this date from interest sections to embassies," Mr. Speakes said. "And their principal officers will hold the title of chargé d'affaires, pending the appointment of ambassadors. Ambassadors will be appointed as promptly as possible under the nomination processes required within and between both countries."

Security was tight as Mr. Aziz, who is also deputy prime minister, met with Secretary of State George P. Shultz at the State Department and later traveled by motorcade to the White House.

Mr. Aziz's talks with Mr. Reagan began with a cordial discussion of the weather as the two posed for pictures in the Oval Office of the White House.

Iraq, in co-ordination with other Arab countries, broke off diplomatic relations with the United States after the 1967 Middle East war. Since then, Egypt, Syria and other nations have restored formal ties with Washington, while Iraq has kept the contact at a lower level.

While Iraq has moderated its position toward Israel in the past few years, the Iran-Iraq war and a rash of terrorist incidents in the region have created friction between Washington and Baghdad, even though trade has increased.

Three years ago, the State Department removed Iraq from a list of countries deemed supporters of international terrorism and therefore barred from receiving American products that could have military applications.

Lebanon Extends Authority

Army Patrols Beirut, Suburbs In Security Bid

By Ihsan A. Hijazi
New York Times Service

BEIRUT — The Lebanese Army took control of Beirut and its suburbs Monday in the first phase of a security plan designed to extend the authority of the government to the north and south of the country.

Soldiers patrolled the streets in armored personnel carriers. Additional troops reinforced army positions at five checkpoints on the Green Line that divides the city's Moslem and Christian sectors.

Gunmen of the private militias were not seen on the streets.

This is the second time that the army has instituted a security plan in the Beirut area. Monday's measures were intended to complete the restoration of army control that was begun in July but which did not completely end factional fighting in the city.

This time, Syria has reportedly thrown its weight behind implementation of the security measures. A Christian radio station, Voice of Lebanon, said a Syrian-Lebanese military committee was supervising the implementation of the plan to extend government control.

Two senior officers represent Syria on the committee, the radio said.

Lebanese government sources refused to confirm or deny the report. If true, it would mean that Syria has resumed a direct role in controlling security in Beirut and other areas outside the territory where Syrian forces are stationed.

The Syrian Army and Palestinian guerrillas were driven out of the Lebanese capital, the Chuf mountains and the south during the 1982 Israeli invasion.

[Israel told Lebanon on Monday that it would pull out of Sidon, southern Lebanon's largest city, in its next withdrawal of occupation forces from the region, United Press International reported.

[At the start of their fifth round of talks in Naqoura, delegations from the two nations discussed placing United Nations peacekeeping troops in the next area from which Israel withdraws.

[Lieutenant Colonel Yonah Gazit, a spokesman for the Israeli delegation, said regular Lebanese forces could serve in the area with UN forces.]

The three-phase security plan now getting under way was approved Saturday at meetings between Vice President Abdel Halim Khaddam of Syria, President Amin Gemayel of Lebanon, and the members of the Lebanese cabinet. The talks were held at Mr. Gemayel's residence in the mountain resort of Bikfaya.

At the meeting, leaders of private militias promised to cooperate in making the deployment of government troops a success.

Walid Jumblat, the minister of public works and tourism, commands the Druze militia; Nabih Berri, the minister in charge of South Lebanon affairs, heads the Shiite Moslem militia. Between them, they control the Moslem part of Beirut, and the coastal highway south to the town of Damour.

The Phalange Party, which fields the main section of the Christian militia, is represented in the cabinet by Joseph al-Hashim, the health and communications minister.

Phalangist fighters control the sector north of Beirut to a point just south of Tripoli. In southern Lebanon, they are entrenched in the area between Damour and the Israeli lines at the Awali River.

The reinforcement of army positions in the capital is intended to protect its rear before it deploys on

(Continued on Page 2, Col. 7)

U.S. Dissent in World Bank Reflects Anti-State Bias, Spending Concerns

By Clyde H. Farnsworth
New York Times Service

WASHINGTON — Representatives of 21 countries were sitting around the oval mahogany table in the 12th-floor boardroom of the World Bank's headquarters on Nov. 2. They were considering a staff proposal to lend $130 million to Colombia's state-owned Ecopetrol oil enterprise for development of the Casabe field in central Colombia.

The loan was approved — but not unanimously.

James B. Burnham, the executive director representing the United States, biggest of the World Bank's 147 member nations, cast the only negative vote. He argued that the bank's scarce resources would be displacing private capital, which he said could easily be raised for the project as a result of recent oil discoveries in the area.

Around the same table last September, a $150-million loan for agricultural development in the Philippines was discussed.

Again, Mr. Burnham voted no, and again the loan went through. This time the former Mellon Bank vice president maintained that the World Bank was not exacting specific-enough conditions for liberalizing controls in the Philippines' agricultural sector.

The U.S. dissent reflects a widening division between Washington and some other capitals about the role of the World Bank, known formally as the International Bank for Reconstruction and Development. The huge lending institution commits $15 billion annually for such projects as dams, roads and hydroelectric power stations in developing countries.

Washington's tough policy on development assistance arises from budgetary and ideological considerations. The Reagan administration is looking for ways to hold down spending, and it dislikes helping state monopolies at the expense of private enterprise.

In four years under President Ronald Reagan, the United States has opposed nearly 50 loans that have come before the boards of the World Bank or smaller multilateral development agencies, such as the Inter-American Development Bank, which makes loans in Latin America. From no previous administration has there come such a flow of dissent.

Washington also has recorded a somewhat lower level of displeasure by abstaining on two dozen other loan proposals. Virtually all of those loans went through anyway because they were supported by the other member governments.

For many years, the United States has been by far the largest stockholder in the World Bank, with a 20-percent stake. In return, it gets about 20 percent of the say in running the agency.

Now, with an eye on spending cutbacks forced by federal budget deficits, one Reagan administration policy-maker said, "The United States will simply not be in a position to boost multilateral assistance in coming years."

A Treasury Department study of multilateral financial institutions published in 1982 said that development policy "is maximized in a free-market environment where factors of production move freely in response to opportunities to maximize their marginal product."

All of this bolsters the U.S. officials' opposition to price controls, subsidies, state-managed monopolies and other "anti-market" practices widely used in the Third World, which they feel undermine the effectiveness of lending.

The principal reason for voting against the agricultural loan to the Philippines was that the government of President Ferdinand E. Marcos has what one Reagan administration official described as a "regulatory stranglehold" on the farm sector. Washington felt the World Bank's conditions to get the regulations toned down were not tough enough.

Mr. Burnham put it this way: "The bank's resources should be used only where they do not run the risk of displacing alternative sources of finance."

U.S. officials insist that their criteria for international loans are purely economic, not political.

"This policy is not directed at Colombia, the Philippines or any other country," one official said. "We look at the loan from an economic strategy point of view.

(Continued on Page 2, Col. 7)

The Associated Press

Judge Taslim Olawale Elias of Nigeria reading the ruling of the World Court on Monday.

World Court Accepts Nicaragua Case

The Associated Press

THE HAGUE — The World Court ruled Monday that it has jurisdiction over Nicaragua's complaint that the United States was "waging armed attacks" aimed at toppling the Sandinist government.

The ruling by the 16-man court was on a U.S. motion to dismiss the complaint, which was filed April 9. The United States claimed that Nicaragua never recognized the authority of the World Court and thus the court had no authority in the case.

In a 15-1 vote asserting jurisdiction, the court said Nicaragua "had unconditionally declared that it recognized the jurisdiction of the court by signing and ratifying the charter of the United Nations" under which the court is constituted.

[The State Department said it was "disappointed with the court's decision. ... We continue to believe that the court is not the proper forum, either as a matter of law or for helping to achieve a peaceful resolution of the conflict in the region," United Press International reported from Washington.]

In the ruling, read by the court president, Taslim Olawale Elias of Nigeria, the court also rejected a Reagan administration declaration of April 6 that the United States would exempt itself from World Court jurisdiction in Central American disputes for a period of two years.

That statement by the United States was intended to undercut Nicaragua's filing of its complaint three days later. The World Court ruled that the United States could not exempt itself in advance from court authority.

Despite its announcement, the United States assigned a legal team to the case and has participated in the proceedings thus far.

The court's assumption of jurisdiction in the case cleared the way for hearings on U.S.-supported military action against the leftist Sandinist government. Those hearings are expected to start next year.

INSIDE

Soviet Resurrection of Stalin Is Raising Questions

Name Reappears Regularly as 40th Anniversary of Victory Over Nazis Nears

By Dusko Doder
Washington Post Service

MOSCOW — The Russians have had glimpses of him for some time, the profile of the dictator with the jet-black mustache appearing for a few seconds in documentaries about World War II.

But during the past few months, Stalin's image and name have been reappearing with a frequency and regularity to suggest more than the pendulum swing of time.

The resurrection of the once-reviled dictator raises questions to which there are no easy answers.

Some argue that possibly an effort is under way to provide a more objective picture of at least some aspects of Stalin's activities, to stop falsifications of history, of which Stalin was an acknowledged master. Others believe that the development is connected largely to the celebrations next year of the 40th anniversary of victory over Nazi Germany.

The current revival involves not only Stalin's record as a military leader and diplomat, but also his economic leadership and his role in the 1917 Revolution.

In the past few months, millions of Soviet viewers have seen for the first time documentary films that had been gathering dust in the archives. Stalin was shown in a variety of settings: planning the defense of Moscow in the summer of 1941, in his white marshal's uniform posing for pictures with Roosevelt and Churchill at Tehran and Yalta, and at Potsdam with Truman and Attlee.

A few days ago, Stalin was shown on television speaking to the troops in Red Square Nov. 7, 1941. Hitler's armies were close to Moscow, near what is now the international airport. The soldiers were about to march to the battle. Stalin's speech was remarkable, invoking the names not of Marx and Engels but of ancient saints and heroes of Russia.

But not all references to Stalin are linked to his military role in World War II.

One of the most authoritative Soviet publications, the monthly journal Kommunist, in its November issue had some positive things to say about Stalin's economic policies during the war.

Stalin's name also is being rehabilitated in connection with the Bolshevik takeover in 1917. A front-page editorial on the eve of the 67th anniversary of that event referred to Stalin and four other Old Bolsheviks as men whose "revolutionary passion and power" were directly linked to the "ideas and activities" of Lenin, the founder of the Soviet state.

Perhaps even more significant was the scene in a new feature film about the revolution based on the book, "Ten Days That Shook the World," by the radical American journalist, John Reed.

On the eve of the Bolshevik seizure of power in 1917, Lenin's Politburo was meeting to make the fateful decision. The historical record of this gathering indicates that Lenin made the decision to go ahead despite the opposition of all the others. But the movie shows Stalin, smoking his pipe and pacing around the table, as supporting the leader. "If we do not do it tomorrow, we never will," Stalin says.

It is not, as the Russians like to say, an accident that Stalin's crimes are being complete-

(Continued on Page 2, Col. 4)

Churchill, Roosevelt and Stalin met at Yalta in February 1945.

New Crises Emerge For Mitterrand in Polls, South Pacific

By Joseph Fitchett
International Herald Tribune

PARIS — President François Mitterrand has apparently suffered a sharp loss in popularity over his handling of foreign affairs, a problem caused in large measure by France's difficulties in Chad. The downward trend seems likely to continue with the turmoil in New Caledonia, a French possession in the Pacific.

According to a poll published Monday in the weekly magazine Le Point, 44 percent of French voters are dissatisfied with Mr. Mitterrand's handling of foreign affairs, while 28 percent are in favor.

That approval factor is down sharply from a month ago, when similar polls showed that more than half of respondents were satisfied with Mr. Mitterrand's handling of international affairs.

Foreign affairs has been the policy domain in which Mr. Mitterrand has continued to enjoy high ratings, even as his overall popularity has sagged in recent months along with the economy. Le Point's poll was taken last week after Libya had failed to comply with an agreement to withdraw French and Libyan troops from Chad.

Since the poll, Mr. Mitterrand has come under scathing attack from opposition French politicians over a crisis in New Caledonia, where France has sent a special envoy for negotiations after separatists proclaimed a provisional government in the island.

The Socialists have been trying to ease New Caledonia to independence. After Mr. Mitterrand took office, some statements by French officials aroused expectations of quick political power among many Melanesians, the native islanders who comprise 43 percent of the population of 145,000 people.

European settlers, who make up about 40 percent of the population, enjoy a political majority because of support from Vietnamese and other groups who have settled there under French rule. They oppose independence if it subordinates them to the Melanesians.

To extricate France, the Socialist government organized elections last week for a constituent assembly to work out arrangements for self-government.

But the Melanesian separatist movement, apparently anticipating that its supporters would be outnumbered at the polls, boycotted the elections. The boycott produced a conservative government that wants to remain a French territory.

Thus, instead of reconciling Europeans and Melanesians, the election precipitated a confrontation, and separatists have occupied government offices and mounted roadblocks in the countryside.

The French government is now seeking a compromise between Europeans and Melanesians to hold a referendum on independence, perhaps as early as next year. But France's Gaullists have started to campaign against any French move to circumvent the outcome of the recent election.

New Caledonia's newly elected president, Dick Ukeiwé, an island-born Gaullist, has accused the French Socialists of fomenting extremism by making rash promises and of planning to "sell out" the territory.

Five former French prime ministers, all Gaullists and including the current Gaullist leader, Jacques Chirac, have called on Mr. Mitterrand to restore law and order on the island, where the European population is strongly Gaullist.

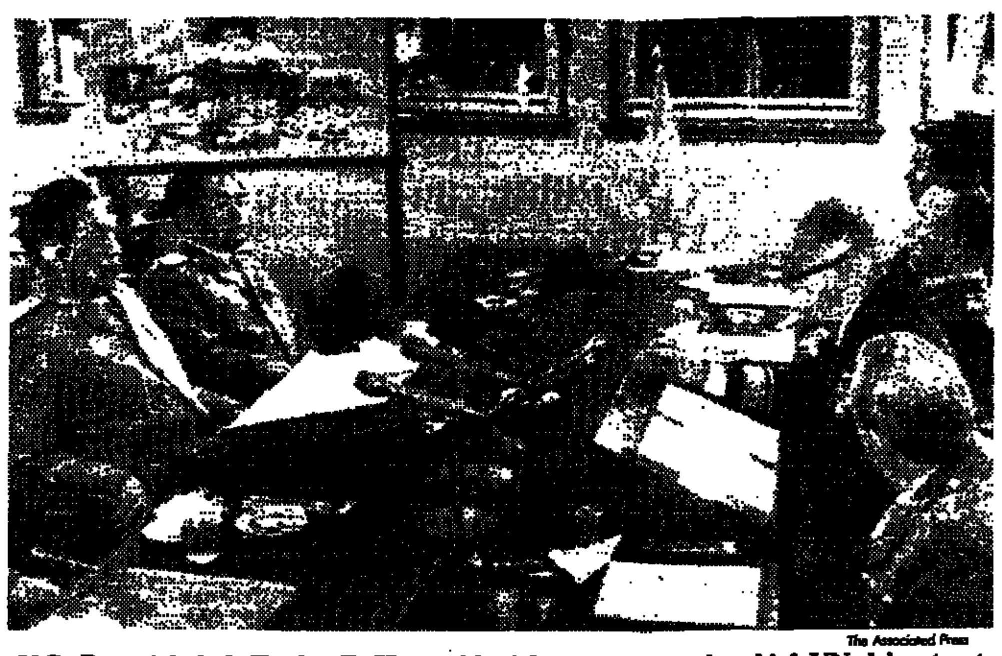
■ **Mitterrand Arrives in Syria**

The Associated Press reported from Damascus that President Mitterrand had arrived there Monday for the first visit by a French head of state since Syria's independence from France in 1946.

Mr. Mitterrand and Syria's president, Hafez al-Assad, were expected to hold their first formal talks Monday night followed by a second session Tuesday evening.

Meanwhile, the French ambassador lodged a formal protest with the Syrian Foreign Ministry over the treatment of 127 French journalists who arrived Sunday night in Damascus to cover Mr. Mitterrand's visit.

They were subjected to thorough baggage and body searches upon their arrival, although such procedures normally are suspended for journalists accompanying the president. The French Embassy intervened to get the journalists into the country after a delay of more than five hours.



The Associated Press

U.S. Rear Admiral Charles F. Horne 3d, right-center, was the chief UN delegate at Monday's meeting of the Korean Military Armistice Commission at Panmunjom. Major General Lee Tae Ho, seated directly opposite, was the senior delegate for North Korea.

Korea Defector Tells Story of Escape As Truce Panel Holds Bitter Meeting

By Clyde Haberman
New York Times Service

PANMUNJOM, Korea — A Soviet defector said Monday that he had acted of his "own free will" when he fled suddenly from North Korea into South Korean territory, touching off a gun battle here Friday in the heart of the demilitarized zone.

Vasiliy Yakovlevich Matuzok, 22, said he had decided to defect two years ago and chose to act Friday while touring Panmunjom because it was his "very first opportunity to go to the West."

Mr. Matuzok has been kept in seclusion at a U.S. military hospital in Seoul. But U.S. officers in Panmunjom showed a videotape of an interview they had held with him to counter North Korean allegations that he had been taken by force.

The Russian described how he had sprinted to the South Korean sector of this truce village while North Korean soldiers chased him, firing pistols and machine guns.

"I think there was no way just to think that I was doing something other than defecting," he said in accented, but clear, English. "I think that they know just from the very beginning that I was defecting."

In an ensuing exchange of gunfire deep in the South Korean sphere of Panmunjom, three North Korean soldiers and one South Korean were killed. Six others soldiers were reported to have been wounded, including an American.

It was the greatest loss of life to occur in what is called the Joint Security Area, centered in Panmunjom, where the armistice ending the Korean War was signed in 1953.

Senior officers from the United Nations Command and North Korea sat across from each other Monday at a session of the Military Armistice Commission, convened whenever there are protests about truce violations.

This was the 426th meeting since 1953, and, like so many of the others, it was dominated by angry accusations and demands for apologies from both sides.

Rear Admiral Charles F. Horne 3d of the U.S. Navy accused North Korean guards of "undisciplined and lawless behavior" for firing automatic rifles in violation of armistice rules and for chasing Mr. Matuzok more than 130 meters (150 yards) into South Korean territory.

They got as far as a sunken garden and pool, whose concrete edges were still stained Monday with patches of dried blood.

Admiral Horne produced photographs and tape recordings to back up his assertions that the North Koreans had violated the armistice.

In one audiotape, made through a microphone that had been left on, bursts of automatic weapons fire could be heard distinctly soon after voices shouted in Korean, "Hey, hands up!" and "Catch him!"

In response, North Korean officers produced bullets that they said had been fired from American-made automatic weapons.

U.S. officials acknowledged later that their soldiers had brought in machine guns and M-16 rifles, but said they had belonged to a force posted outside the security area and had acted only after the North Korean firing started.

"You are the criminals for the latest incident, and should bear responsibility for it," said the chief North Korean delegate, Army Major General Lee Tae Ho.

General Lee repeated earlier North Korean claims that Mr. Matuzok, a trainee with the Soviet Embassy in Pyongyang, was not a defector and should be returned to the North.

The young man, he said, had "inadvertently" stepped over a boundary line and was immediately grabbed by UN Command soldiers who fired at the North Koreans.

"Inadvertent, my eye," Admiral Horne replied, and then produced the videotape.

Glemp Visits Vatican to Discuss Death Of Clergyman

The Associated Press

ROME — Cardinal Jozef Glemp, Poland's Roman Catholic primate, arrived in Rome Monday for his first meeting with Pope John Paul II since the murder last month of Jerzy Popieluszko, the pro-Solidarity priest.

Three Polish secret police officers have been charged with the priest's abduction and murder.

Cardinal Glemp said Sunday that the crime "shook the conscience of all honest people." In a letter read at Catholic Masses in Poland, he said church authorities still awaited "a final and full explanation of Father Popieluszko's murder."

On arrival in Rome, however, Cardinal Glemp declined to discuss the case. "Today, I am a deaf-mute," he said.

■ **Poles Attend Memorial**

Earlier, Bradley Graham of The Washington Post reported from Warsaw:

More than 20,000 people gathered Sunday outside the white stone church where Father Popieluszko is buried.

Before an audience sprinkled with Solidarity banners and clogging the sidewalks and streets around St. Stanislaw Kostka Church, a Warsaw pastor, Jan Sikorski, said that Father Popieluszko's monthly "masses for the homeland" would continue.

Father Popieluszko won national prominence by delivering strongly nationalistic, pro-Solidarity sermons on the last Sunday of every month. His superior, the Reverend Teofil Bogucki, preached from the church's outdoor balcony.

"No one knows what good will come of this," Father Bogucki said. "His cult is growing, and vain are the attempts to defame this or create obstacles to it. This is not the way to win the Poles. Nothing can stop the nation marching toward its sun of freedom, solidarity and independence."

Continuation of the masses poses a dilemma for the Warsaw government. To let such blatant affronts to Communist authority proceed risks the displeasure of powerful party members and of the Soviet Union. On the other hand, to try to force an end to the services could rupture relations with Roman Catholic leaders who have been instrumental in maintaining peace in the country.

The service came at the end of a weekend during which both sides in the Polish struggle reaffirmed opposing programs.

Leaders of the official trade unions, which replaced the Solidarity movement after it was crushed and then dissolved under martial law in 1982, gathered in the mining town of Bytom in southern Poland to appoint a central representative council.

The action marked a major step toward a nationally coordinated union structure.

Meanwhile, underground leaders of Solidarity urged Poles in a communiqué reaching Western correspondents in Warsaw to continue to boycott the government-sanctioned unions, except those that publicly declare recognition of the principle of trade union pluralism.

WORLD BRIEFS

UN Says El Salvador Killings Decline

UNITED NATIONS, New York (UPI) — Human rights violations in El Salvador, including the killing of civilians by Salvadoran government forces, declined considerably this year because of greater control of rightist death squads, a UN report said Monday.

The report, by José António Pastor Ridruejo, a Spaniard who is a special representative of the UN Commission on Human Rights, said that crimes "attributable to the state apparatus and armed paramilitary organizations presumably tolerated by or connected with that apparatus" apparently had "considerably declined compared to recent years, undoubtedly as a result of the adoption of a new government policy."

There was "greater prevention and control of the activities of the death squads and specific state organs," the report said.

"Opposition guerrilla forces have committed grave violations of such basic human rights as the right to life and liberty through murders and abductions although, according to most sources, they are fewer in number than the violations" by the right, the report said.

PLO Session Expels 3 Foes of Arafat

AMMAN, Jordan (Reuters) — The Palestine National Council has decided to expel three foes of Yasser Arafat, leader of the Palestine Liberation Organization. But it left the door open for conciliation with other Palestinian factions boycotting the council's meeting here.

The council, the PLO's policy-making body, voted, 149 to 2, on Sunday to expel Ahmed Jibril, leader of the Libyan-backed Popular Front for the Liberation of Palestine-General Command, and two of his senior aides.

Mr. Jibril's supporters played a major role in a mutiny by pro-Syrian groups against Mr. Arafat in Lebanon last year. It and other pro-Syrian factions refused to attend the Amman meeting.

The new executive committee of the PLO is expected to be elected on Wednesday at the end of the council session, and three seats have been left vacant for representatives of the Democratic Alliance, a group of moderate opponents of Mr. Arafat who are also boycotting.

Somalian Hijackers Set 5th Deadline

ADDIS ABABA, Ethiopia (UPI) — The Somalian hijackers who commandeered an airliner to Ethiopia set a fifth deadline Monday, threatening to blow up the Boeing-707 Tuesday morning with 108 people aboard unless their demands are met.

The hijackers, armed with submachine guns and grenades, demanded that the Somali government call off the execution of seven youths convicted in a series of bomb attacks and release them and 14 jailed politicians. The three Somali Army officers who hijacked the Somali Airlines plane Saturday reportedly were joined by two passengers who were given weapons.

The renewed threat came amid signs that Somalia was willing to negotiate the hijackers' demands, Western diplomats said. Somalia has promised to review the seven death sentences but has refused to budge on the demands that all 21 prisoners be released.

Thais, Vietnamese Clash at Border

BANGKOK (AP) — A Thai soldier was killed Monday and four others were wounded when fighting between Cambodian guerrilla forces and Vietnamese troops occupying Cambodia spilled into Thai territory, a Thai Army spokesman said.

"Vietnamese troops, in hot pursuit of resistance troops, intruded into Thai territory near Non Mark Moon village, where they clashed with Thai troops, killing one soldier and wounding four others," Colonel Anusorn Krisnaserani of the army secretariat said at a news conference. The clash lasted several minutes, he said.

Sergeant Pairoj Padsachaksatroo, 28, was killed in the fighting with about 80 Vietnamese early Monday, military sources in the field said. Non Mark Moon, about six-tenths of a mile (one kilometer) inside Thailand, was the site of a large-scale Vietnamese incursion in June 1980.

Spain Vetoes U.S. Extradition Request

MADRID (UPI) — A Madrid court has rejected a U.S. request to extradite Vito Badalamenti, 27, son of Gaetano Badalamenti, 61, a reputed Sicilian Mafia chieftain charged with running a $1.6-billion heroin ring called "the pizza connection."

The elder Badalamenti and his cousin, Pietro Alfano, 49, were extradited to the United States earlier this month. They allegedly used U.S. pizza parlors as a cover for distributing heroin.

A Madrid court said that U.S. officials failed to prove that the younger Badalamenti was an accomplice. He instead will be tried in Spain on charges of carrying false identity papers, officials said.

For the Record

Anatoli Karpov, the world chess champion, took a time out Monday in the title contest against Gary Kasparov, also of the Soviet Union, postponing the 28th game until Wednesday, Tass reported from Moscow. Mr. Karpov leads, 5-0, in the contest. *(AP)*

Approximately 180 Jews from three cities in the Soviet Union have sent a telegram to the Supreme Soviet, the parliament, asking for permission to emigrate. One of the signatories said Monday that the telegram also asked authorities "to stop repressions exercised against Jews wanting to leave the Soviet Union." *(AP)*

Ioan Florea, Romania's minister for wood processing and building materials, has been replaced by his deputy, the first government change since the 13th Communist Party Congress last week. Mr. Florea was one of about 100 party officials dropped as a full member of the Communist Party's central committee. *(Reuters)*

U.S. Ready to Be 'Flexible' in Arms Talks

(Continued from Page 1)

us into serious talks with the Russians is about 85 percent complete. Consequently, there's no dearth of interest in identifying where compromise might result in an agreement that serves our interest militarily and makes matters more stable.

"The Soviets will find if they will deal in good faith with us, we will be both flexible and constructive and I think there's great promise for progress if they come into the talks that way."

At the same time, Mr. McFarlane had some harsh words for past Soviet conduct.

"It strikes me," he said, "that what is significant is not so much that there are talks, but that the United States is entering them with a sense of realism that is born of the losses this country suffered from talking in the late 1970s.

"We learned a lot in those days. We learned that Soviets violate treaties. We learned that they bargain very hard; that compromise is really an alien concept to them."

"Talking, per se, is not necessarily good," Mr. McFarlane said, "and yet we believe now that because we are in a position to bargain in good faith from strength, that we can make some headway. But we have no illusions that this will happen overnight. It will take time. We'll be ready. The president *is committed to getting results by* the time he leaves office."

On the possibility of a moratorium, Mr. McFarlane responded to reports that the administration, to give impetus to the new talks, might slow the deployment of Pershing-2 missiles in Western Europe. Their deployment a year ago provoked the Soviet Union to abandon nuclear arms talks with the United States. He said that despite the missiles deployed in member countries of the North Atlantic Treaty Organization, the Soviet Union still held a 10-to-1 advantage in such weaponry in Europe. Therefore, he said of a moratorium, "I don't see that in the cards."

On the testing of anti-ballistic missiles in space, Mr. McFarlane recalled the policy set by Mr. Reagan in a speech to the United Nations General Assembly on Sept. 25. At that time the president said that he would be willing to consider a space-testing moratorium once talks with the Soviet Union were under way.

■ **Chernenko's View**

President Konstantin U. Chernenko wants "new thinking" from both sides to normalize U.S.-Soviet relations and achieve arms control, Neil Kinnock, leader of the British Labor Party, said Monday, The Associated Press reported from Moscow.

Speaking after he met Mr. Chernenko, Mr. Kinnock said he had "moderate confidence" that U.S.-Soviet relations would improve after the Shultz-Gromyko meeting.

Mr. Chernenko "was emphatic in his view that new thinking is required" by both the Soviet Union and the United States, Mr. Kinnock said.

■ **Deployment Delay Sought**

The party of Prime Minister Wilfried Martens called Monday for a delay in the deployment of U.S. cruise missiles in Belgium, planned for March, Reuters reported from Brussels.

"We must give the new negotiations a chance," said a statement from the Flemish-language Social Christian Party, referring to the U.S.-Soviet arms talks.

The Associated Press

Neil Kinnock, leader of Britain's Labor Party, right, met Monday with President Konstantin U. Chernenko at the Kremlin. An unidentified Soviet official was between them.

U.S. Is Attacked On UNESCO Issue

Reuters

PARIS — The former Australian prime minister, Gough Whitlam, on Monday accused the U.S. ambassador to UNESCO of helping a campaign of disinformation and destabilization to persuade Britain to withdraw from the agency.

Mr. Whitlam, Australia's permanent delegate to the Paris-based UNESCO, accused the U.S. permanent delegate, Jean Gerard, of having "aided and abetted a destabilization and disinformation campaign."

A U.S. spokesman, Franklin Tonini, asked for reaction, said: "I am not going to dignify his absurd remarks with any comment."

Stalin Is Making a Slow Comeback in Russia

(Continued from Page 1)

ly ignored, including his forced collectivization of agriculture, his destruction of the Red Army's high command and of much of the Communist Party, and finally the deaths of millions of people during his reign of terror.

The country and the party are still divided on Stalin; 31 years after his death, a realistic and honest assessment of the late dictator's career still cannot be made here.

The authorities apparently do not want to start a public debate about Stalin because of internal divisions. There is a section of the population, including a substantial portion of the party, that remains haunted by Stalin's atrocities. Yet, there is a larger section that does not know anything about his crimes and has embraced him as a sort of pop phenomenon. Photographs of Stalin can be seen dangling from strings on the windshields of cabs in Moscow and of some trucks.

In many cases, Stalin's resurrection has been made indirectly.

One vehicle was a new book about Roosevelt, written by Alexander Chakovsky, a prominent public figure and editor in chief of Literaturnaya Gazeta, the largest weekly newspaper.

The book, "An Unfinished Portrait," purports to be a biography of Roosevelt. But larger portions of it are devoted to Stalin's dealings with Roosevelt and their meetings. Mr. Chakovsky's Stalin is a tactful and considerate man, a great diplomat and a wise military leader.

Another vehicle is a new 90-minute documentary film about Marshal Georgi Zhukov, Stalin's deputy during the war. It contains long excerpts from a filmed interview with Zhukov made before his death in 1974 and never shown before.

In the movie, Zhukov only hints at Stalin's confusion on June 22, 1941, when Hitler attacked the Soviet Union. It was Zhukov who informed Stalin about the attack. But Zhukov continues to describe Stalin as a great commander in chief who successfully guided the Red Army to victory. "And I think so today," Zhukov added.

To weigh the impact of all this, it must be recalled that the adulation of Stalin, which once had mammoth proportions, stopped in April 1953, about a month after his death.

Except for an occasional mention during the next few years, the word "Stalinist" became a pejorative term. Khrushchev denounced Stalin's crimes in 1956, at a closed session of the Communist Party's 20th Congress. Later, Khrushchev's speech was read to all party members in closed sessions. Stalin's name was swiftly removed from bookshelves, and film footage of him was relegated to the archives.

Khrushchev again denounced Stalin in 1961 at the 22d party congress. Shortly thereafter, Stalin's body was removed from the Lenin Mausoleum in Red Square and placed in a simple grave near the Kremlin wall marked with a plain flat slab.

Ever since Khrushchev's ouster in 1964, Stalin's image has haunted Russia. When Khrushchev's successors took a small but visible step to rehabilitate the dictator by placing a bust at his tomb in 1970, there were fears and whispers in the intellectual community that Stalin's spirit might be waiting to shroud the whole country once again.

But except in his native Georgia, where his cult had persisted as a rallying point for local nationalism, the memory of Stalin largely has disappeared from the consciousness of the new generations.

When the Soviet press recently published details about an interview with Svetlana Alliluyeva, Stalin's daughter, who returned to the Soviet Union after 17 years in the West, younger people did not know what to make of it.

Miss Alliluyeva uses her mother's name, and nowhere in the story was it mentioned that she was Stalin's daughter.

"Who was this Alliluyeva?" a young taxi driver asked his passenger.

Told that Miss Alliluyeva was Stalin's daughter, the man said, "I did not know Stalin's real name was Alliluyev." The dictator's real name was Dzhugashvili.

Belgium Air Base Damaged in Blasts

Reuters

BRUSSELS — An extreme leftist group in Belgium, the Fighting Communist Cells, said Monday it had blown up two communications masts outside the Bierset air force base near Liège.

The group claimed responsibility in a telephone call to a radio station and in a letter to the newspaper La Meuse. Police confirmed that the masts, which were used for air control communications, had been destroyed by explosives.

The Fighting Communist Cells emerged in October when it said it carried out five bombings of offices of Belgium's governing center-right parties and of multinational companies linked to NATO.

U.S. Loan Votes Criticized

(Continued from Page 1)

Sometimes we burn a friend, sometimes not."

While taking a harder look at economic considerations, the United States has given a lower level of importance to the human rights considerations that marked lending policies during the administration of President Jimmy Carter.

Despite the state of emergency in Chile, which one U.S. official said had led to a "deterioration" of human rights conditions there, the United States did not oppose a $35.7-million loan for roads in Chile that came before the board of the Inter-American Development Bank on Wednesday. The loan was approved unanimously.

But Washington's tough economic position has drawn fire from other governments and development analysts who say it restricts the flow of money to the Third World at a time of maximum need.

"It's one thing to argue budgetary restraint, but this administration simply does not want to give priority to multilateral development banks," said John W. Sewell, president of the Overseas Development Council, a Washington-based research institution. "The great issue of the future will be the scarcity of resources for development."

Most representatives of foreign governments declined to talk for the record, noting that the World Bank's board proceedings are not public.

"The U.S. position would be more credible if they linked the more rigid economic criteria for loans with a willingness to increase resources for long-term development," a European representative said.

"The Reagan administration does not have a monopoly on economic wisdom," said an official of India, speaking privately.

Authority Extended in Beirut

(Continued from Page 1)

the coastal highway north and south of Beirut.

It was decided at Saturday's meeting that the troops would fan out on the road in both directions next Monday. A week later the troops will go east on the mountain highway that links Beirut with the Syrian border.

Of the army's 37,000 troops, 6,000 have been committed to securing the Beirut area. Military sources said the measures in the capital would require 10 days to implement fully.

Two brigades totalling about 3,000 are to take charge of the coastal highway. The government will have from 8,000 to 10,000 soldiers on standby there to be sent to southern Lebanon for security duties when the Israeli Army withdraws.

Both the Shiite militia and the Druze Progressive Socialist Party have issued instructions to their members to abide by the new security arrangements.

In Christian East Beirut, militiamen were wearing civilian clothes and sat outside their offices without firearms, according to witnesses. Phalange leaders had already announced they would cooperate in any plans that President Gemayel may endorse.

Prime Minister Rashid Karami has criticized Prime Minister Shimon Peres of Israel for remarks Mr. Peres made last week on the troop withdrawal talks. Mr. Peres said the fragmentation of the Lebanese government was to blame for the fact that the Naqoura talks had not produced positive results.

On Sunday, Mr. Karami accused the Israelis of trying to cast doubt on the ability of the Lebanese Army to undertake security duties in the south after the Israelis depart.

"Our army, which is backed by nationalists and the Lebanese people at large, will soon prove to Israel and the world that it is capable of fulfilling its mission," Mr. Karami said.

United Press International

Colorado Party supporters celebrated Sunday after the polls closed in Montevideo.

Uruguay Elects Moderate as President, Ending 11 Years of Military Rule

Compiled by Our Staff From Dispatches

MONTEVIDEO — Julio M. Sanguinetti, the most moderate of three main candidates, was confirmed Monday as president-elect of Uruguay in voting that put an end to more than 11 years of military rule.

If the government of General Gregorio Alvarez surrenders power March 1 as planned, Uruguay will become the eighth nation in Latin America to switch from military to civilian rule since 1980.

With 95 percent of the ballots counted, Mr. Sanguinetti, the candidate of the center-right Colorado Party, had 711,902 votes, or 38.5 percent. The center-left National Party, also known as the Blancos, had won 607,672 votes, or 32.8 percent.

The Frente Amplio, or Broad Front, leftist coalition, had 378,562, or 20.5 percent. Minor parties shared the rest of the vote.

"The figures permit us to affirm that the Colorado Party is victorious," Mr. Sanguinetti said Monday morning.

"The party that guided Uruguay's fortunes for most of its history is ready now, after 11 years of military dictatorship, to begin this stage of national reconstruction," Mr. Sanguinetti said.

His chief rival, Alberto Saenz de Zumaran of the National Party, conceded defeat and congratulated the winner of Sunday's election.

"Receive our congratulations and let us work together for the good of our country, which has suffered so much," Mr. Zumaran said.

The principal blemish on the election was that the outgoing government had vetoed the first-choice presidential candidates of two parties: Wilson Ferreira Aldunate of the National Party, who was imprisoned when he returned from exile in June, and Liber Seregni of the Broad Front.

In an agreement signed this month, the three parties pledged to work together after the election to consolidate democracy and rebuild the economy.

Their principal disagreements lie in their approach to the past. The Blancos refused to join the two other parties in a pact to respect some military privileges.

The Blancos and Broad Front also called for an unrestricted amnesty, while the Colorados say leftist guerrillas imprisoned before the 1973 coup should be excluded.

Voters also selected a 30-seat Senate, a 99-member Chamber of Representatives and hundreds of local officials. Cross-party voting was not allowed, so the makeup of the two chambers will be in line with the percentage of presidential votes for each party.

The trend toward democracy throughout the region appears to have encouraged Uruguay's armed forces to return to the barracks. Since 1980, elected presidents have taken over in Ecuador, Peru, Honduras, Bolivia, Argentina, El Salvador and Panama. *(UPI, NYT, AP)*

Sanguinetti's Background

Mr. Sanguinetti, 48, brings more than 20 years of political experience to his new position, United Press International reported.

Elected to the General Assembly, or parliament, at age 25, Mr. Sanguinetti, a lawyer, served two terms and was elected to a third term before accepting the post of labor and industry minister under President Jorge Pacheco Areco.

In 1972, he became education and culture minister under President Juan Maria Bordaberry until the 1973 coup.

As education minister, he drafted a law allowing strict government control of teachers and university students, who criticized the law as fascist in nature.

When all political activity was banned after the coup, Mr. Sanguinetti limited himself to practicing law and serving as president of the National Fine Arts Council and as president of a United Nations commission to promote books in Latin America.

When the military regime held a national referendum in 1980 to seek approval of a new constitution that would have given the armed forces a permanent voice in any future civilian government, Mr. Sanguinetti campaigned strongly against it.

Sixty-three percent of the voters rejected the military's proposal, forcing the government to schedule Sunday's elections.

Mr. Sanguinetti emerged in 1981 as his party's leader when he won internal leadership elections in which some powerful Colorado Party figures were barred by the military from participating.

He inherits a country suffering its worst economic situation since World War II. He must also restructure the armed forces, which mushroomed from 35,000 to 68,000 during military rule.

Mr. Sanguinetti favors improved relations with the United States and says he will seek conversation rather than confrontation with the International Monetary Fund to reschedule its past-due foreign debt of $5.5 billion.

Report Cites 'Erosion' of U.S. University Curricula

By Edward B. Fiske
New York Times Service

NEW YORK — Colleges and universities in the United States are failing to give students "an adequate education in the culture and civilization of which they are members," a panel convened by the National Endowment for the Humanities has asserted.

College faculties have caved in to vocational and other pressures from students and abdicated their authority over what students should study and learn, according to the panel's report, which was released Sunday.

"Most of our college graduates remain shortchanged in the humanities — history, literature, philosophy and the ideals and practices of the past that have shaped the society they enter," said the report, written by William J. Bennett, the endowment's chairman.

The 31-member panel said that the humanities in general and the study of Western civilization in particular "have lost their central place in the undergraduate curriculum." As evidence, it cited declining enrollment in the humanities in both high schools and colleges as well as decreased numbers of students choosing humanities majors.

The document, "To Reclaim a Legacy: A Report on the Humanities in Higher Education," laments what it terms the "steady erosion" in structured curriculums with specific course requirements.

"A student can obtain a bachelor's degree from 75 percent of all American colleges and universities without having studied European history, from 72 percent without having studied American literature or history and from 86 percent without having studied the civilizations of classical Greece and Rome," the report said.

"Fewer than half of all colleges and universities now require foreign language study for the bachelor's degree, down from nearly 90 percent in 1966," the report said.

The result, the educators said, is a pervasive philosophy of "intellectual relativism" in which students are deprived of any sense of "a common culture rooted in civilization's lasting vision, its highest shared ideals and aspirations, and its heritage."

The panel called for a series of reforms, including an overhaul of college curriculums based on "a clear vision of what constitutes an educated person."

While stopping short of recommending specific courses or texts, the report suggested that students graduating from college should have encountered a "core of common studies" embracing these elements:

- A chronological understanding of the development of Western civilization.
- A "careful reading" of several masterworks of English, American and European literature.
- An understanding of the most significant ideas and debates in the history of philosophy.
- Demonstrable proficiency in a foreign language, either modern or classical.
- Familiarity with at least one non-Western culture or civilization as well as knowledge of the history of science and technology.

The report urged colleges to reward faculty members for teaching as well as for research and to place the humanities at the center of instruction, even for those going into professional fields.

"The humanities are not an educational luxury, and they are not just for majors," the document said. "They are a body of knowledge and a means of inquiry that convey serious truths, defensible judgments, and significant ideas. Properly taught, the humanities bring together the perennial questions of human life with the greatest works of history, literature, philosophy and art."

The document is the second major report to be released this fall on the quality of undergraduate education in the country's 3,000 colleges and universities. Last month Education Secretary Terrel H. Bell made public a study sponsored by the National Institute of Education, the department's research arm, citing "warning signals" about the quality of higher education.

The document made public Sunday reflects eight months of work by the endowment staff aided by teachers, scholars, administrators and others. The study group held hearings, examined graduation requirements at 15 representative institutions and solicited research.

"Conventional wisdom attributes the steep drop in the number of students who major in the humanities to their concern for finding good-paying jobs after college," Mr. Bennett wrote. "Although there is some truth in this, we believe that there is another, equally important reason — namely, that we in the academy have failed to bring the humanities to life and to insist on their value."

Mr. Bennett attributed the "steady erosion" of the "coherence of the curriculum" to "a collective loss of nerve and faith on the part of both faculty and academic administrators" in the late 1960s and early 1970s.

"When students demanded a greater role in setting their own educational agendas, we eagerly responded by abandoning course requirements of any kind and with them the intellectual authority to say to students what the outcome of a college education ought to be," he wrote.

"With intellectual authority relinquished, we found that we did not need to worry about what was worth knowing, worth defending, worth believing," Mr. Bennett wrote.

House Democrat Leader Urges Tax-Cut Freeze

By Don Irwin
Los Angeles Times Service

WASHINGTON — Representative Jim Wright of Texas, leader of the Democratic majority in the House, says that federal budget deficits could be cut in half by eliminating tax reductions and extending the schedule for the arms buildup planned by President Ronald Reagan.

"We could put a freeze on any new tax cuts," Mr. Wright said during a television interview Sunday. "We could extend the military growth rate planned for the next four years into a five-year period, achieving all the weapons systems and all the levels of strength that we otherwise would plan."

Mr. Wright said the Democrats, who will have 71 more seats than the Republicans when the House reconvenes on Jan. 3, "will support the president when we can." But he made it clear that he expects his party to oppose any administration moves to balance the budget at the expense of middle- and lower-income families.

The Texas congressman charged that the expanding budget deficits, now projected to grow from $174 billion in the current fiscal year to $206 billion in 1986, were "caused deliberately by the president's program."

The deficit's causes, he said, were the "excessive" 1981 income tax cut, which he said is adding $135 billion to this year's budget shortfall; the "enormous" expansion in Pentagon budgets, which he said have risen in the last four years from $146 billion to $300 billion, and interest charges on the national debt, which he estimated at $120 billion for this year.

Mr. Wright said that if his recommendations were not "acceptable to the president," then Mr. Reagan should propose "commensurate savings."

The president, Mr. Wright said, has "a sort of blind spot" in fiscal matters, which makes him think of spending solely in terms of the domestic budget.

"What the president has failed to take into account is that a dollar spent on a bomb adds as much to the deficit as a dollar spent on a mile of road," he said.

The Democratic leader indicated he would consider a tax increase so long as Mr. Reagan, who has pledged never to seek one, sends such legislation to Capitol Hill.

Chile Issues New Rules for Foreigners

New York Times Service

SANTIAGO — The government has moved to crack down on foreigners who take part in political activity, issuing a decree that non-Chilean residents must sign an oath to obey Chile's laws and constitution.

The action came Sunday as the military government of President Augusto Pinochet continued to conduct raids in poor neighborhoods of the capital. Troops and police officers arrested at least a dozen men and rounded up hundreds of others to check identity cards.

Government sources said the measures against foreigners and poor residents were part of a strategy to weed out political troublemakers. Two days of anti-government protests, supported by moderates, leftists and labor leaders, were to begin Tuesday.

The government maintains that its operations have been successful in "calming" the population. However, more than 40 bombings have been carried out since General Pinochet declared a state of siege Nov. 6, suspending civil liberties, to combat what he called a Marxist-led revolt.

The decree about foreigners, reported Sunday in local newspapers, requires non-Chileans seeking resident status to sign an oath saying they will abide by Chile's laws and constitution. It prohibits aliens from engaging in political activity.

It is the first time that foreigners have been required to sign such an oath.

It was unclear how the decree would be applied, but some officials of the Roman Catholic Church have expressed concern that the government would begin to expel some of the more than 600 foreign priests who work among Chile's poor. Many of the priests have been strong critics of General Pinochet.

The decree could also affect foreign journalists who report on anti-government protests. Under the state of siege, the local press is prohibited from reporting political news not received from official sources.

Israel May Allow Review Of Documents on Sharon

New York Times Service

TEL AVIV — Israel's attorney general, Yitzhak Zamir, is trying to work out an arrangement in which someone acceptable to Ariel Sharon and Time magazine would inspect secret Israeli documents and use them to answer questions posed by a New York court in Mr. Sharon's $50-million libel suit against Time.

Mr. Zamir's attempts to work out such an arrangement, revealed Sunday in a letter to Israel's Supreme Court, had been requested by the federal district court in Manhattan with the approval of both sides in the case.

The court had also submitted a series of questions bearing on the documents, which have been kept secret on grounds of security.

The arrangement would require approval by the Israeli cabinet and by a parliamentary committee.

Milton S. Gould, Mr. Sharon's lawyer, said in New York that he welcomed the step. Thomas D. Barr, Time's lawyer in the trial, could not be reached for comment.

Mr. Sharon's suit contends that a Time article last year libeled him by suggesting that he encouraged Phalangist militiamen to massacre hundreds of Palestinian refugees at two camps near Beirut, Lebanon, in September 1982. Time based its report, in part, on a secret appendix to a report by the Israeli commission that investigated the killings.

The Time article said the unpublished section of the report, known as Appendix B, stated that Mr. Sharon, who was Israel's defense minister at the time, discussed with the family of an assassinated Phalangist leader, Bashir Gemayel, "the need for the Phalangists to take revenge for the assassination."

Mr. Sharon has acknowledged having paid a condolence call on the Gemayel family a few days before the massacre. But he has contended that the question of revenge never arose.

Moreover, he has said that Appendix B, which he saw as an Israeli cabinet minister, did not even allude to such a discussion.

London Plans Anti-Racist Math

Reuters

LONDON — Education authorities in London are planning new school mathematics lessons as part of a campaign against racism.

Instead of solving old-fashioned problems like how long it takes three workmen to dig a hole of a certain size, children may be asked to calculate the profits that Western multinational corporations make in Third World countries.

The experts, employed by the leftist-controlled Inner London Education Authority, say that the lessons would not only reinforce anti-racism efforts already being made in other subjects, but would help children understand current affairs.

Argentines Approve Beagle Treaty

The Associated Press

BUENOS AIRES — In an unexpectedly strong show of support for the government, Argentine voters approved by a wide margin a Vatican-mediated treaty with Chile over the strategic Beagle Channel.

In the balloting on Sunday — Argentina's first nationwide referendum — the vote was 77 percent in favor of the pact, 21 percent against and 2 percent blank or voided ballots. About 73.2 percent of the eligible voters went to the polls, far more than had been expected.

The treaty won approval in all sections of the country, including Tierra del Fuego, near the disputed area, where opposition was considered strongest. The voters there approved the pact by a margin of 59 to 40 percent.

President Raúl Alfonsín, who led a campaign on behalf of the treaty, said that with it, Argentina and Chile were "going to bury a 100-year-old conflict in order to work together in brotherhood and achieve the increased development of our economies."

In late 1978, the two countries came near war over the channel and three islands there. The dispute also involved an estimated 48,000 square miles (124,000 square kilometers) of the Atlantic, teeming with fish and possibly rich in oil deposits.

The treaty deals with the ownership of the three tiny islands, Picton, Lennox and Nueva, at the eastern entrance of the channel. It also assures Argentine maritime sovereignty in the South Atlantic and limits Chile's sovereignty to the South Pacific.

Argentina's foreign minister, Dante Caputo, has announced plans to sign the treaty in Rome on Nov. 29. The pact was negotiated under Vatican supervision over a five-year period.

The treaty then will be submitted to the Argentine Congress for ratification. Chile's four-man military junta also must approve the agreement.

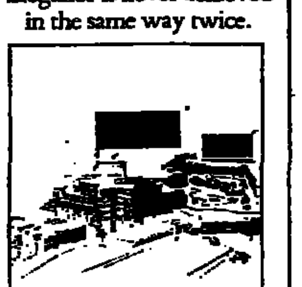
On Nov. 20, Chile's navy commander, Admiral José Toribio Merino, said that "changes must be made" in the treaty before the military junta would accept it, because "the treaty is not favorable to Chile."

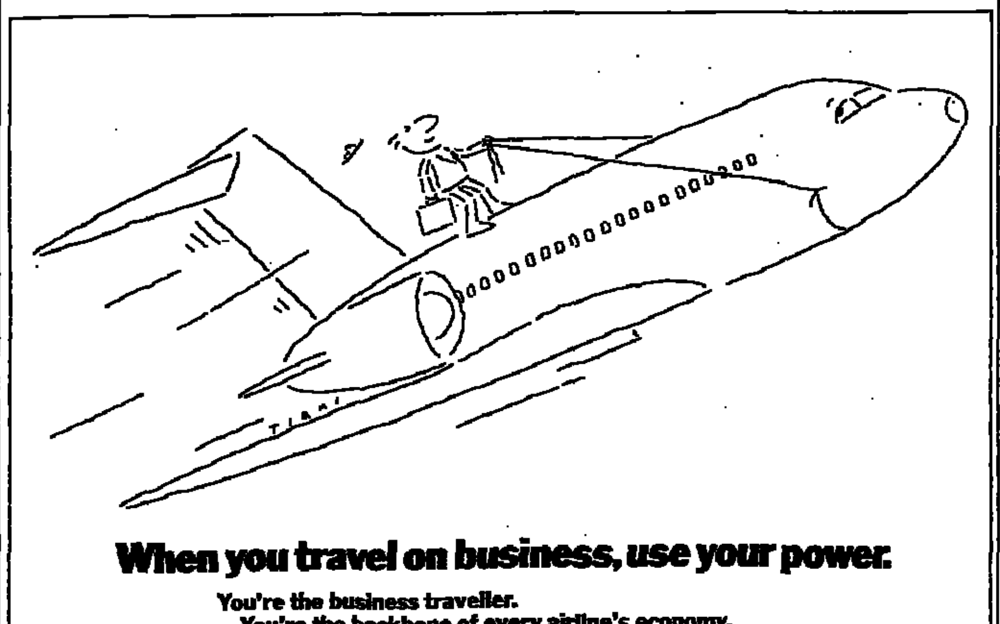
5 Argentine Generals Moved to Different Jails

The Associated Press

BUENOS AIRES — Five of the nine former Argentine junta members accused of human rights violations have been moved to different prisons.

Generals Jorge R. Videla and Roberto E. Viola of the army and Orlando Agosti of the air force and Admirals Emilio Massera and Armando Lambruschini of the navy were moved Sunday from a Buenos Aires jail to an army prison at Magdalena. A Supreme Court ruling is being awaited on their request for military rather than civilian trial.





PERSONALITIES PLUS
MARY BLUME
IN THE WEEKEND SECTION
OF FRIDAY'S IHT

Undugu: A Priest's Vision of Hope for Nairobi Slums

By Sheila Rule
New York Times Service

NAIROBI — A few miles and an eternity from here sprawls the Mathare Valley, a place where poverty would be a step up and despair expands its definition.

Nairobi acts as a magnet, attracting people from Kenya's rural areas to these slums, which are at once a distorted starting point and the end of the line.

A sodden mix of mud and garbage is both a road and a playground for half-naked children. Large families live in forced intimacy in the one-room jumbles of newspaper, plastic, cardboard and wattle that are their homes.

In Mathare, as in other slums of Nairobi, the laws of survival outwit the laws on the books.

Men and women sit stoop-shouldered over a batch of *changaa*, illegally brewed liquor that helps to fuel the makeshift economy. Unmarried mothers, who form the bulk of the 150,000 people tumbling atop one another, turn to prostitution to support their families.

The daughters, when they near the age of 11 or 12, smile invitingly at grown men and trade their innocence for a few dollars.

"I came to Nairobi from about 50 kilometers away to look for employment," said Raphael Ngigi, his lean frame silhouetted against the ruinous backdrop. "Work is hard to find and people have nowhere to go. In Mathare, houses are cheap, rooms are cheap, so you stay."

Some of the children, as young as 5 years old, escape to a life that is no better, only different. They take to the streets of the city center, sleeping in garbage bins and gutters, begging and stealing, and often dying young.

Sex and violence are the raw materials of life; many contract venereal disease long before they are teen-agers. The primary occupation of directing motorists to empty parking spaces for a few cents has earned them the name of "parking boys."

The Reverend Arnold Grol, a Roman Catholic missionary from the Netherlands, moved from Tanzania about 12 years ago to a parish nestled amid the chaos of Nairobi's slums. The 60-year-old priest soon formed a society called *Undugu*, a Swahili word that means brotherhood.

The society's aim is to make living more than a matter of existing and to develop dignity along with communities.

"We ask the people, 'What do you want?' " said Father Grol, of the Society of Missionaries of Africa. He steered his travel-weary car, the doors of which carry the motto "Educate parking boys," through the ruts and debris of the roads. "There are many Europeans here who are frustrated in Africa because they want to impose their ideas. But we have to listen to Africans and ask what they want, not what we want."

The Undugu society first began working with the aimless children of the slums, providing them with sports and cultural activities. It was soon decided that the best way to help the children was to aid the communities where they lived.

Today an array of activities are offered, including vocational training classes, schools providing basic education and income-generating projects for the mothers, who have been taught to knit, sew and embroider. There is a loan program designed to help start small businesses and a club offering town prostitutes an education.

At night, Father Grol walks in the shadows of the Mathare Valley to talk to the people in a search of ideas to better serve them. His way is guided by the dim bulb of a flashlight held by one of several society staff members accompanying him.

On a recent visit they went to a one-room shanty, consisting of a dirt floor and little else, that is the home of 13 boys. One after another the boys met in the streets and came to form a family.

Huddled around a small fire, they talked of their everyday activities. They scavenge for food in garbage bins. Even if what they find is spoiled they eat it, for there is nothing else.

They carry firewood or water for others to make a few coins. Sniffing gasoline or smoking *bhangi*, local marijuana, gives them courage to fight for survival and to bear the scorn of passers-by.

From there, Father Grol and his companions traveled to central Nairobi. Recognizing the priest, two 18-year-old women, prostitutes since they were 12, walked over and greeted him warmly.

"A job is a job and to pray is to pray," they told him, their made-up faces softened by girlish smiles. "If you do prostitution you have to do it in a serious way. So now we will go and have some sweet marijuana."

Father Grol smiled as they left. "My principle is that we are all sinners and that it is only that one is better in hiding it than the other," he said.

The New York Times

The Reverend Arnold Grol talks with youngsters in Mathare Valley, a slum of Nairobi.

Marcos Has First Meeting With Aides Since Illness

By Steve Lohr
New York Times Service

MANILA — President Ferdinand E. Marcos met Monday with cabinet ministers and members of the National Assembly for the first time since he went into isolation for health reasons on Nov. 14.

The president met first for about 40 minutes with more than two dozen officials in his study, and later talked with a few cabinet ministers individually, according to Gregorio S. Cendaña, the information minister. At the larger session, which was televised nationally, Mr. Marcos signed the $2.9-billion budget bill for 1985.

Government officials who met Monday with the president said that he seemed fine but that his voice was weaker than usual. None of his remarks were broadcast.

The meetings are the strongest indication to date that Mr. Marcos is well enough to remain in control of the government and is performing his normal duties, as the presidential press office has maintained for two weeks.

Almost immediately after Mr. Marcos went into seclusion, suddenly disappearing from the government-controlled television newscasts, rumors about his condition began circulating.

Last week, senior government officials said privately that the president had undergone hospitalization, received undisclosed treatment and seemed to be improving.

In the past few days, the government stopped issuing vague denials that the president was ill. Instead, one of his physicians, Dr. Eduardo M. Jamora, has issued medical bulletins saying that he has been suffering from the "early signs of the flu" but that his condition is stable.

■ Hostage Seizure Ends

The military said 17 armed men led by a suspended policeman surrendered Monday with 63 hostages after a 21-hour siege in central Zamboanga marked by a gun battle that left four people dead and 18 wounded, The Associated Press reported. Earlier reports said six people had died.

Military investigators said the armed men, who included five policemen and three soldiers, were among the suspects in the Nov. 14 assassination of César Climaco, the mayor of Zamboanga and a leader of the opposition to Mr. Marcos.

Most of their hostages were women and children, relatives of Rizal Alih, the suspended policeman and leader of the armed band.

In Manila, Lieutenant General Fidel V. Ramos, the acting armed forces chief of staff, ordered "maximum efforts" to free two foreigners he described as Americans who were kidnapped by Moslem rebels in the south.

Gandhi Facing Party Insurrection Over Dismissals

Reuters

NEW DELHI — Prime Minister Rajiv Gandhi's Congress Party has chosen most of its candidates for India's national elections next month, but it faces a revolt over a decision to deny nominations to more than 80 members.

The party announced Saturday nominations for 430 seats, but 66 key seats were left vacant for Mr. Gandhi to decide. Nominations close Tuesday.

Mr. Gandhi recently announced that about 83 of the party's current roster of 348 in the lower house of Parliament would not be nominated to run for re-election.

The move, seen by political analysts as an attempt to improve the party with new blood, has touched off a rebellion among supporters in politically sensitive Maharashtra state in the west and Andhra Pradesh and Karnataka states in the south.

The decision, which also affected several followers of Mr. Gandhi's deceased brother, Sanjay, who was considered Indira Gandhi's political heir-apparent before his death in June 1980, also provoked angry protests from members of the Congress Party's youth wing.

The Press Trust of India reported that several members of the Youth Congress, which Sanjay Gandhi built into a powerful wing during an internal state of emergency called by his mother from 1975 to 1977, demonstrated for four hours Sunday in front of the party's offices.

In the most significant mutiny so far, the party's former secretary-general, A.R. Antulay, who was also denied nomination, told his supporters Sunday to defy Mr. Gandhi and file nominations against party candidates.

Mr. Antulay headed the state government in Maharashtra before being dismissed in 1982 for alleged involvement in a bribery and kickback scandal. He said only those who stood by Indira Gandhi between 1977 and 1980, when she was out of power, had a right to represent the party.

The Press Trust also reported Monday that a member of Parliament for Andhra Pradesh state and two former party ministers in the adjoining state of Karnataka had also announced their intent to file their candidacy in defiance of Mr. Gandhi's edict.

In a related development, Mr. Gandhi was dealt a personal and political setback Monday when Y.B. Chavan, a longtime leader of the Congress Party, died in New Delhi. Mr. Chavan, 71, a staunch supporter of Indira Gandhi and a minister for 15 years, died of a kidney ailment.

He had been nominated Sunday to run for the Satara constituency in Maharashtra state.

Craxi Vows to Lead Anti-Mafia Fight 'to the End'

Italian Leader Seeks to Link Coalition With Judicial Crackdown on Corruption

By E.J. Dionne Jr.
New York Times Service

PALERMO, Sicily — Prime Minister Bettino Craxi, bolstered by the victory of his five-party coalition government in a crucial parliamentary vote, has vowed to lead the fight against organized crime "to the end."

Speaking in Palermo, the city known as the capital of the Sicilian Mafia, Mr. Craxi promised on Sunday that "no obstacle will be placed before the magistrates" in their fight against crime leaders. He said Italians should be allowed to "regain the indispensable faith in the state."

The prime minister's comments came two days after Foreign Minister Giulio Andreotti survived a series of parliamentary votes on motions charging that he abused his office in an oil tax scandal a decade ago. Had Mr. Andreotti lost the votes, Mr. Craxi's 15-month-old coalition would have been in danger of collapse.

When he defended himself before the Senate and Chamber of Deputies, Mr. Andreotti took the unusual step of attacking the Italian magistracy, accusing judges in the oil tax scandal of distorting the facts and using circumstantial evidence against him.

Mr. Andreotti said the magistrates were "substituting themselves" for the political authorities, adding, in a reference to judges' robes, that they were "making the toga an instrument of politicized struggle."

His remarks underscored the growing power of the magistrates and their increasingly important political role. The Sicilian magistrates investigating the Mafia, for example, recently have ordered the arrests of important political and financial figures previously deemed almost untouchable.

Mr. Craxi sought in his Palermo speech to bring credit to his government, which includes Mr. Andreotti, for the heightened activity against the Mafia.

"Those who believed that the state would pull back have made the wrong calculation," he said. "Those who counted on fear, complicity and connivance were wrong.

"The healthy Italy is making its voice heard," Mr. Craxi said. "She wants justice and serenity, and our commitment is to respond with concrete acts. The police forces and the magistrates engaged in this fight have the full support of the government."

Mr. Craxi's speech was seen as an attempt to use an issue that all political parties have invoked in recent months to mobilize support: the growing impatience of many Italians with political corruption and organized crime.

The move against Mr. Andreotti, a Christian Democrat, was part of this maneuvering. Although both the far-right Italian Social Movement and the Communist Party brought motions against the foreign minister, it was the Communist motion that was seen as the most important.

Politicians and commentators saw the Communist effort as an attempt to embarrass the Christian Democrats, who have dominated political life here since World War II, and to hasten the collapse of the coalition assembled by Mr. Craxi, a Socialist who has been at odds with the Communists.

The Communist motion, which was defeated Friday by a vote of 484-421 in a joint session of the Senate and the Chamber of Deputies, sought to continue a parliamentary commission's inquiry into Mr. Andreotti's alleged role in the oil tax scandal.

The allegations involve the appointment of General Raffaele Giudice as the head of the customs police in 1974, when Mr. Andreotti was defense minister. Mr. Andreotti's opponents accused him of accepting bribes to appoint the general, who was convicted eight years later of corruption and dereliction of duty in a tax evasion scheme by oil companies.

Mr. Andreotti, 65, is one of the most durable figures in Italian public life. He has served as prime minister five times and has survived 26 previous parliamentary inquiries, all of which exonerated him on various charges of corruption and misuse of office. He angrily denounced the "baselessness" of the charges and said he never had "any reason to exert pressure for the choice of General Giudice, whom I did not know."

The motion's defeat was seen as a blow to the Communists, with whom Mr. Andreotti had enjoyed generally cordial relations. It also appeared to reflect the belief of the governing parties — the Christian Democrats, the Socialists, the Social Democrats, the Republicans and the Liberals — that there was no plausible alternative to the coalition. Before the secret vote, there was speculation that enough of Mr. Andreotti's opponents in the coalition might abandon him to force his defeat and that of the government.

Mr. Andreotti's attack on the magistrates gave an already complicated political situation yet another twist. Although some civil liberties advocates have said the judiciary holds excessively broad powers, many Italians have come to see the judges as the best hope for cleaning up political life.

Mr. Craxi, one of Mr. Andreotti's major allies in Friday's voting, clearly sought to identify himself with the forces of change in his speech Sunday.

"The Italy that is changing, the one that is backing up our efforts, deserves to regain indispensable faith in the state, in its laws, in the activities of its institutions," he declared.

Le Monde Is Closed by Strike

Agence France-Presse

PARIS — Le Monde failed to appear Monday because of a sudden strike by noneditorial auxiliary departments. The evening paper, facing a severe financial crisis, was struck following announcement of a plan to cut the salaries of journalists and noneditorial staff by 14 percent.

900 More Miners Return to U.K. Pits

The Associated Press

LONDON — Strikers piled up burning barricades and poured nails on roadways Monday as Britain's state-owned coal industry reported that about 900 more miners broke ranks in their union's 8-month walkout.

At least 20 pickets were arrested and three police officers injured in the violence, police said.

The number of miners abandoning the strike over planned mine closures was down sharply from last Monday, when 2,282 defected.

Officials of the National Coal Board blamed intimidation by pickets but acknowledged the drop also reflected the expiration of a special Christmas bonus offer in most areas.

Michael Eaton, the chief board spokesman, predicted the number of miners abandoning the strike would near 1,000 as other shifts clocked in Monday.

In south Wales, three officers were injured at the Merthyr Vale colliery when pickets shoved them into the path of taxis taking strike-breakers to work.

In northern England, South Yorkshire police said pickets set fire to a barricade they built outside Hatfield colliery, erected another barricade outside Askern colliery and sporadically hurled stones at police in both places.

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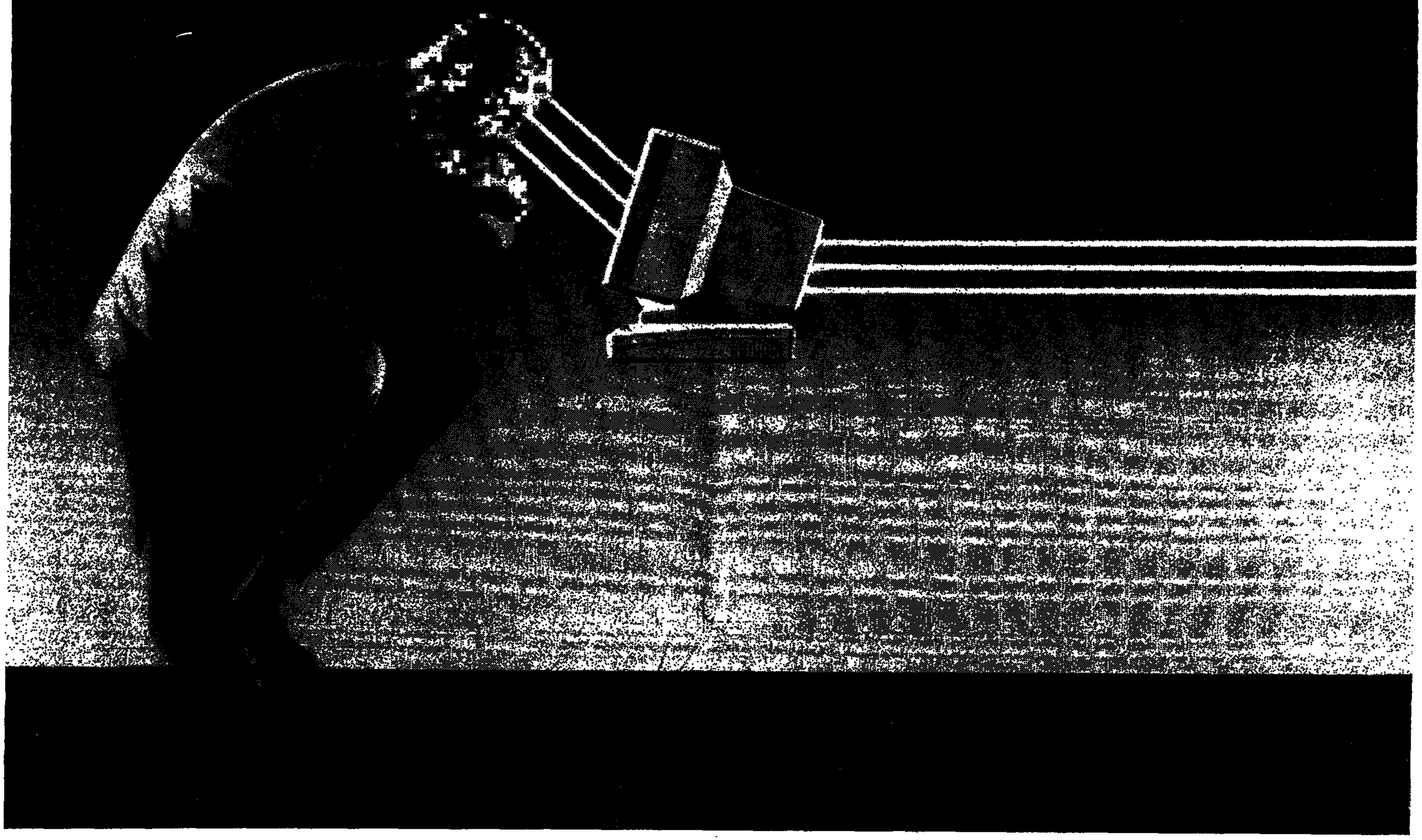

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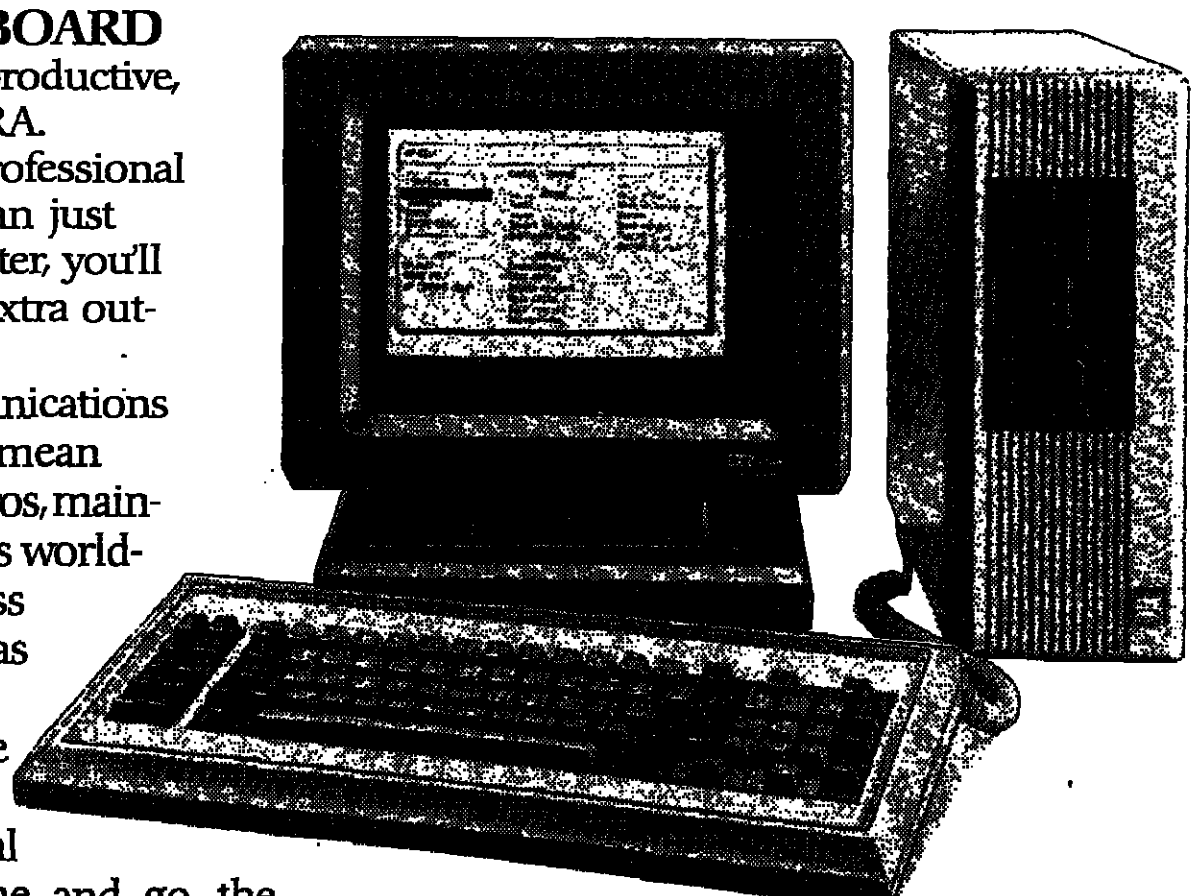

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INTERNATIONAL Herald Tribune
Published With The New York Times and The Washington Post

Where to Start in Ulster

In diplomatic reports, "full and frank" talks are those that fail to reach agreement. Prime Minister Margaret Thatcher of Britain went even further in describing her meeting earlier this month with her Irish counterpart, Garret FitzGerald. "That is out" is how she dealt with his government's three ideas for ending the agony in Northern Ireland.

Mrs. Thatcher may be in no mood for concessions to Irish nationalism so soon after she was nearly killed by a bomb planted by members of its violent fringe. But if Britain persists in rejecting every peaceful change, the hit squads of the Irish Republican Army will be the beneficiaries. This is doubly true if Britain also fails to address the legitimate grievances about criminal justice in Northern Ireland.

Britain bears a heavy responsibility for its Irish troubles. It partitioned the island in 1922, giving independence to the south while making the north a sectarian stockade under the British flag. It tied its hands by granting Northern Ireland's one million Protestants a veto over changes in sovereignty. That veto has been misused to block concessions to the north's half-million Roman Catholics. In despair, a minority of this minority turned to violence.

Mr. FitzGerald voiced the hopes of the nonviolent majorities, north and south. His Irish Forum report broke new ground by proposing north-south union or confederation and acknowledging Protestant claims to British identity. It offered a third-choice compromise of "joint authority" — letting both British and Irish flags fly in Northern Ireland.

If Mrs. Thatcher sweeps that aside, she reinforces the inflexibility of her most high-handed citizens. No one doubts her courage in opposing the demonic fanaticism of the IRA. But she has yet to show the same resolve in dealing with Northern Ireland's Protestants, who refuse to share power or even symbols with an oppressed minority.

That oppression is shamefully evident in the criminal justice system. Ninety-five percent of Northern Ireland's police are Protestant, and a single judge can convict without jury. Nowhere else in Britain do the police aim plastic bullets against demonstrators. Eliminating these anomalies requires no change in flags. Doing at least that would dispel the futility that results from Mrs. Thatcher's annual meetings with Ireland's leader.

— *THE NEW YORK TIMES.*

A Reprieve for UNESCO?

The matter of leaving UNESCO is current again because a year ago the Reagan administration said it would pull out at the end of 1984 if the politicization and mismanagement rampant at the UN Educational, Scientific and Cultural Organization were not halted. So have they been halted? It is not an open and shut question. In the view of some of the closest observers, things are better but not conclusively better. The argument has shifted to whether things can still improve and, specifically, whether they can improve so long as UNESCO remains under Amadou Mahtar M'Bow, the man from Senegal whose leadership style is at the heart of the dispute.

Official American relations with the agency got even worse recently. The State Department official most identified with pulling the United States out, Gregory Newell, accused the UNESCO secretariat of being "disdainful" of American sensibilities on key free-press issues, and charged Mr. M'Bow with a "breach of the promises" he had made to Washington on that score. Other administration appointees at the same time have been trying to maintain the access and presence required to push for the agency's reform. President Reagan is being advised that he cannot be seen to have lightly made a warning of withdrawal, but also to keep plugging for reform. He is also being counseled to keep in step with America's allies, so that the United States will not get out alone.

The latest event in the UNESCO imbroglio is an announcement by Britain that it will join the United States in pulling out unless the agency makes further management and budgetary reforms. But a year's notice is required, so British withdrawal would not take place until the end of 1985. This development has led to a new proposal by Representative James Scheuer, the New York Democrat whose advocacy of UNESCO reform — and of Mr. M'Bow's continuation in his job — has been dogged. Mr. Scheuer would have the United States consider delaying its withdrawal by a year in order to fall in with Britain and the other European countries that may follow it.

The group of them contribute more than half of UNESCO's budget. Together they could have a major impact, especially if they worked with Third World moderates who wish to preserve the organization in a form useful to them. It is worth thinking about.

— *THE WASHINGTON POST.*

Iran and the Red Cross

The International Committee of the Red Cross has broken its customary quiet with a sharp assault on Iran's treatment of its 50,000 Iraqi prisoners of war. Contending that Iran has been violating the Geneva Convention, the Swiss-based organization says the Tehran regime has put at risk the "physical and mental survival" of thousands of Iraqi prisoners taken in the Gulf War. It appeals to all states that signed the convention, and which thereby accepted an interest and obligation to ensure its integrity, to press Iran to respect it.

The Red Cross has an unparalleled tradition of soberness and discretion. It gains access to prisoners only on a pledge to confine its reports to the governments holding them. It leaves to others the function of aiding the victims of war by drawing publicity to their plight. In publicizing Iran's policy, the Red Cross knows it is threatening its access to a large group of exposed prisoners whose principal hope of avoiding the full brunt of Iranian arbitrariness has lain in the Red Cross visits. One can only presume that the organization took this rare step because it saw no other way to fulfill its responsibilities to these prisoners.

Iraq and Iran, under their present regimes, are among the last places where one would want to be taken prisoner. The Iranian government is fully entitled to be concerned for the fate of its men — and, considering the age of some Iranian soldiers, its children — in Iraqi hands. The present dispute, however, concerns Iraqi prisoners. Iran has seen them as a pool from which to draw recruits for a Shia "liberation movement" to turn back upon Iraq — something that is impermissible under the Geneva convention. This was the evident context in which a disturbance of some sort took place in an Iranian prison camp last month while Red Cross delegates happened to be on the scene. Under their eyes, a number of prisoners were shot down. This disturbance exacerbated the always tense relations between the revolutionary Khomeini regime and the Red Cross, and led to the present impasse.

The regime's secrecy and the Red Cross's discretion make it difficult to know exactly what went on in that prisoner of war camp at Gorgan last month, and since. That puts outsiders in the position of making a tentative judgment on the basis of the reputation and credibility of the two parties. In this contest, the Red Cross has all the advantages. Ayatollah Ruhollah Khomeini insists on making his own rules, for prisoners as for almost everything else. The Red Cross has an unmatched record of administering fairly the international rules on matters of the most acute moral and humanitarian consequences. We will know that the latest threat to Iraqi prisoners has been lifted when Iran permits the Red Cross to resume, quietly, its vital work.

— *THE WASHINGTON POST.*

Other Opinion

Obstacle to UNESCO Reform

With Britain's announcement that it will leave UNESCO unless fundamental reforms take place, the controversy over that organization loses any appearance of being a "superpower machination." It has been made even clearer where the main obstacle to reform is to be found — in the person of UNESCO's autocratic director, Amadou Mahtar M'Bow.

Neue Zürcher Zeitung (Zurich).

The Source of Arab Action

The motive force in Arab politics is not good relations with the United States, nor even bad relations with Israel. The source of action, the principle around which leaders take their stance, is inter-Arab rivalry of a deep and abiding nature. This necessarily limits the role the United States can effectively play in the Middle East.

— *Syndicated columnist Joseph Kraft.*

FROM OUR NOV. 27 PAGES, 75 AND 50 YEARS AGO

1909: Germany Studies Wing Design

BERLIN — Whether the monoplane or the biplane is the type of flying machine which promises most for future practicability continues to be the unsolved question in German military circles, and the General Staff does not intend to come to a decision in the matter until conclusive proofs have been registered. It is less than a year since an aeroplane was first seen in Germany, the first public flights being those made by M. Zipfel with a Voisin apparatus near Berlin. The military authorities thus far have not allowed themselves to be misled too much by the theory of aeroplane work, but they have been wide awake to every practical point that has been brought to their notice.

1934: U.S. Antarctic Holdings Grow

NEW YORK — The United States's possessions in the Antarctic, claimed after exploration, were raised to approximately 200,000 square miles [on Nov. 26] by the receipt of a dispatch from Admiral Richard E. Byrd at Little America reporting that Marie Byrd Land is now shown to be nearly double the previously known area. Admiral Byrd also reported that a trans-Arctic passage, believed to have been discovered during a previous flight, does not exist and that the sea level depression which was believed to have been the long-sought trans-continental strait is part of Marie Byrd Land. The latest discoveries are the result of extensive airplane flights.

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A Window of Opportunity in the Mideast

By Hamdi Saleh

CAIRO — For the first time in more than a decade the American administration encounters a combination of favorable conditions that opens a real opportunity for a successful and effective policy in the Middle East.

Until the landslide victory of Ronald Reagan, the American presidency had begun to look like a one-term job. That, to observers in the Middle East, made highly doubtful the chances of any sustained American diplomacy in the region. That was one of the major reasons behind King Hussein's reluctance to follow the American lead under President Reagan's 1982 peace initiative.

But now, liberated from electoral pressures, the Reagan administration can count on a wide consensus behind its foreign policy.

Most of the regional actors are now looking to the United States to renew the peace efforts. The recent Egyptian-Jordanian rapprochement reflected a new realism in Jordan that time is running out and that Arab feuding is an obstacle to peace that should be eliminated. A coalition is emerging among Egypt, Iraq, Jordan and the main faction of the Palestine Liberation Organization. The latest Libyan fiasco has isolated further the regime of Colonel Moamer Qadhafi. And Iraq announced Monday the renewal of its diplomatic relations with the United States.

But the most important developments have been those in Israel. Following its recent election, Israel is in dire need of both U.S. diplomatic and economic assistance to resolve the Lebanese problem and to shore up Israel's economy.

Following a weekend meeting in Amman, Jordan, the faction of the Palestine Liberation Organization that is clinging to the peace process, led by Yasser Arafat, has some breathing time to prove that peace efforts will not be wasted.

All this comes at a time when the Russians are taking a precautionary wait-and-see attitude toward the new Reagan administration. Europeans, as well, are looking up to the new American diplomacy. And the oil crisis has been reversed; it is now a suppliers' problem of marketing and pricing, not a consumers' problem burdening the Western world's economy and governments.

These factors would appear to create a favorable situation for Washington. Yet some commentators argue that there is no need for further U.S. involvement in the Middle East.

That analysis is pregnant with potential disaster, for in the absence of an active American diplomacy most of the moderating trends in the region will slow to a halt or even be reversed. Neglect of the Palestinian issue under these circumstances would not only strengthen the hand of the radical groups but also would undermine whatever political base Mr. Arafat and King Hussein had established for the search for peace. The spread of terrorism would follow.

The U.S. should seek a gradual transformation and expansion of the Camp David accords.

In the absence of an effective peace effort Egypt also would be vulnerable to increasing tensions in the area. After 30 years of having to divert its resources for the demands of war, the country is heavily burdened with economic pressures. Egyptian youths face the prospect of having to search for jobs outside Egypt. President Hosni Mubarak cannot neglect the need for economic development.

Egypt is determined to regain its role in the Arab and Islamic world. It has to reconcile that with its peace agreement with Israel. The absence of a viable peace mechanism not only creates a dilemma for Egyptian policy but also adds to the strains in Egyptian-Israeli relations.

Nobody wants the relationship to slide back down to a state of tension. Egyptian leaders would like to give the new Israeli government a chance to reformulate its policy. But Egypt cannot ignore the continuing Israeli occupation of southern Lebanon, the perpetuation of the Israeli occupation of the West Bank and Gaza and the lack of progress on the issue of Taba, an Egyptian territory that Israel is still claiming.

Thus, in Mr. Mubarak's view, any peace process in the Middle East must be taken as a whole.

What the Reagan administration must do is to work for a gradual transformation and expansion of the Camp David accords. That would necessitate a new formula for widening the Arab-Israeli peace. It is not enough for the administration to reiterate its commitment to the September 1982 initiative. It should pursue an effective diplomatic strategy, either by pushing the idea of an international conference on the Middle East or by appointing a high-level presidential envoy to the region. Equally necessary is a more forceful diplomacy to settle the Lebanese issue, and a line of communication with those Palestinians who are still clinging to the peace process. That could be done either through a direct dialogue or through Egyptian and Jordanian channels.

True, the Middle East is unpredictable. Radical elements are mixed with moderates. But a passive policy will only undermine the moderates and strengthen the radicals. Moslem fundamentalists, radical Palestinians and frustrated Lebanese would dominate the scene, and the door would be opened for a Soviet return to the area.

The Reagan administration needs to make America stand tall, but on the right grounds.

The writer, assistant director of the Egyptian Institute for Diplomatic Studies in Cairo, contributed this comment to the Los Angeles Times.

A Democratic Identity: The Party of Access?

By Tom Wicker

NEW YORK — Like many another concerned Democrat, Lieutenant Governor Michael Daniel of South Carolina has offered his party a prescription. Speaking recently in Greenville County, he suggested: "We must correct our deficiencies without forgetting our purpose or selling our soul."

Some other Democrats would rather say that the party must "change its message." Either way, one of the Democrats' principal concerns is racial. Their party has been steadily losing support among white voters and, in the South and some cities, is in danger of becoming mostly a black, hence a minority party.

But neither Mr. Daniel nor most other Democrats can or will say just how the party should correct its deficiency or change its message.

Bert Lance, the Georgia chairman, has said repeatedly that the Democrats must stop going "in the opposite direction" from the voters. But which voters does he mean? The blacks, who gave Walter Mondale overwhelming support? No, Mr. Lance obviously means white voters, who cast a solid majority of their votes for Ronald Reagan, and for every other Republican presidential candidate back to Richard Nixon.

How can the Democratic Party maintain the general support of blacks, both a political and an ethical necessity, while appealing strongly enough to whites to win them back from conservative Republicanism?

Both parties already claim to promote economic growth. Democratic social programs aid more whites than blacks. And those who glibly protest that "they shouldn't have given Jesse Jackson everything he wanted" ignore the fact that Mr. Jackson did not come away from the San Francisco convention with the massive jobs program he demanded in the platform, or a major place in the Mondale campaign, or anything much except a speech in prime time.

While white voters certainly were influenced by their perception that the Democrats were "pandering" to black voters, they were also hearing the appeals of Mr. Reagan and right-wing Republicans to their latent racial attitudes. What was Mr. Reagan up to in Georgia when he proclaimed that "the South will rise again"? In their hearts, Southerners know. And whose administration tried to grant tax exemption to segregated schools and to abandon affirmative action, while only reluctantly supporting renewal of the Voting Rights Act?

This poses a deeper dilemma for the Democrats than merely changing their message, which implies new slogans rather than new policies. New slogans will not deceive many of those whites who think they see the real thing in Mr. Reagan and the Republicans, and who believe, however subconsciously, that they are causing a sort of symbolic South to rise again, everywhere.

But new policies, actually moving the Democratic Party away from its modern tradition of including and encouraging minorities, would risk — in Mr. Daniel's words — forgetting its purpose and selling its soul.

It may be that in their openness to minorities and to all sorts of ethnic, economic, social and cultural interests the Democrats have become — and will remain for the foreseeable future — a party of access, in which the voiceless find a voice. At the same time, within their narrower range of interests and appeal, the Republicans usually will be able to maintain enough coherence and unity to make them a party of government.

That would not be a mean role for the Democrats, and it might be a historical necessity for the country — a political party in which a variety of interests can make themselves felt, and whose legitimate pressures ultimately can be transmitted outward to the other party, and to government.

A party of access could continue to win state, local and congressional offices, but would have great difficulty in reconciling that same variety of interests into the sort of unified national force needed to win the presidency, or to govern after winning it.

Such a party probably could gain the White House only after a Republican disaster — as in 1976, following Watergate. Even then it might well lack the cohesion to govern decisively — as indeed was the case in the Carter administration — and be able to hold power for only one term. Thus if a second Reagan term should be a disaster of recession and world tension, the Democrats might win by default in 1988, only to lose in 1992 after failing on their own.

That is not a happy outlook for those Democrats who think power is primarily a function of the presidency. But there are many kinds of power. Better a party of access than one cloned from Mr. Reagan — as deaf as he is to the voices of any but the white and the unconcerned.

The New York Times.

Hard Lessons in the Chadian Deserts

By Dominique Moïsi

PARIS — It is too early to say whether the present French debate over Chad will become a major domestic embarrassment for President François Mitterrand or will remain a mere spot of unpleasantness in the Socialist presidency. Colonel Moamer Qadhafi holds the key: He can maintain or withdraw his troops.

Whatever the outcome, the affair has illustrated contradictions in French diplomacy and tarnished a presidential image that was previously untouched on foreign policy issues.

Ironically, the liveliest foreign policy debates in France in the last five years have been provoked not by military interventions, which were always supported with near-total consensus, but by controversial summit meetings. Both Valéry Giscard d'Estaing, when he went to see Leonid Brezhnev in Warsaw in May 1980, and Mr. Mitterrand, in his Nov. 15 encounter with Colonel Qadhafi in Crete, gave the impression of meeting the wrong person at the wrong time.

The attempt in Warsaw to preserve détente — six months after the military seized power in Poland — and the effort to prevent military confrontation in Chad suffered from the same conceptual weakness.

The negotiating process can be illusory, even dangerous. It creates the false impression that ideological divisions or conflicting interests can be surmounted. More important, it constitutes an implicit recognition of the legitimacy of the negotiating partner, and therefore of that partner's past and present behavior.

Whether in Warsaw, Crete, or elsewhere, the medium is the message; what is said is less important than the fact of the meeting itself.

Mr. Mitterrand's meeting with Colonel Qadhafi is particularly vulnerable to criticism in that French authorities could not have been unaware — despite their protestations — that the colonel was not respecting the agreement signed with France and had not withdrawn all his troops.

In Chad, the stated French goal was to preserve the regime of Hissène Habré and thereby preserve the credibility of France's guarantee over francophone Africa, its last big sphere of influence. The policy was supposed to have been pursued at a minimal military risk. But the pursuit of stature presupposes a willingness to take sizable risks.

Thus, a French air offensive against Libyan military columns in August 1983 might, in the end, have proved less costly than the decision to commit French troops.

To fully reassure those Africans who still see in France the ultimate guarantor of their internal and external security, France needed a more assertive policy vis-à-vis Colonel Qadhafi. But economic and geostrategic considerations — which may have been skewed by an exaggerated French perception of Libya's weight in the region — as well as concern for the domestic political cost of military casualties, led to self-restraint.

The affair has pointed up the contradiction between French and U.S. objectives in the region. French refusal to follow the American line and wage an anti-Qadhafi crusade led the Americans to embarrass the French by leaking information about the continued Libyan presence in Chad. This may foreshadow future French-American tensions.

The United States is moving beyond English-speaking Africa toward a comprehensive policy for Africa. The French do not look kindly on this. They see a prospect of American competition with the traditional French presence in francophone Africa, especially at a time when France, for lack of means, could be forced to take a lower profile. Even if the present state of French-American relations does not allow Africa to become a major source of discord, the seeds of suspicion have been planted.

As for Chad, even if Colonel Qadhafi does withdraw his troops, the Libyans will be back — and probably sooner rather than later.

The writer, associate director of the Institut Français des Relations Internationales, contributed this comment to the International Herald Tribune.

LETTERS TO THE EDITOR

Saving Fae, and Animals

Regarding the report "Animal Lovers Pull Hoax in U.K." (Nov. 20):

Animal rights fanatics such as the Animal Liberation Front are truly a humorous group. For them to describe their most recent candy bar terrorist act [in which they claimed and then later denied they had injected rat poison into Mars candy bars in order to hurt the company's business] as a "hoax" is analagous to having a fun afternoon by shouting "fire" in a crowded childrens' circus tent.

JAMES A. McINNIS.
Trogen, Switzerland.

The New York Times editorial, "Baby Fae's Life and Death" (Nov. 22), is remarkable for its startling failure to even question man's right to murder animals for the alleged — but, as Dr. Leonard Bailey's experiment has again shown, highly questionable — benefit of human beings. It is hardly surprising that a growing number of persons are coming to view with contempt a medical fraternity that pays such scant regard to ethical considerations and treats living creatures simply as inanimate laboratory tools.

DENNIS B. STUART.
Frankfurt.

The Bishops and the Poor

Regarding "Bishops Urge Major Changes in U.S. to Help Nation's Poor" (Nov. 13) by Kenneth A. Briggs:

If the American bishops find it a disgrace that millions of Americans live below the poverty level, and are truly appalled at the sight of poverty elsewhere on this globe, why did they hold back their pastoral letter until after the American election, and instead make public attacks on the Democratic Party's vice-presidential candidate over abortion? Anyone who has studied the problem of poverty knows population growth is a major contributor to poverty.

JUDITH BEIER.
Nairobi.

Regarding the column "Capitalism: The Pastoral Reservations" (Nov. 21):

David S. Broder calls conservatives' criticism of the bishops' letter "unmannerly" but then implies that conservatives, in furthering growth, act out of "greed" and "acquisitiveness." A mannerly appraisal?

The Reagan administration *chose* to bring work for millions — not social relief measures.

PIETER VAN LOON.
Paris.

Cut the Water Projects

In spite of the overwhelming victory of Ronald Reagan, the same old argument continues: guns vs. butter.

There is an alternative: Cut the immense program of spending on water projects and public works. This amounts to between $60 billion and $90 billion, including the items hidden in other parts of the budget, and amounts to almost half the deficit.

H.O. HOLCOMBE JR.
Minusio, Switzerland.

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Rethinking Security In Sweden

By John Ausland

OSLO — What Pjotr Gushin, captain of a Soviet submarine, hoped would be a routine patrol in October 1981, ended abruptly when his craft ran aground near Sweden's Karlskrona naval base. Unwittingly, Mr. Gushin had precipitated Sweden's first defense debate in years.

That this debate has continued, and sparked fundamental changes, became clear during a recent visit to Stockholm. Whereas in the 1970s Swedes were preoccupied with events elsewhere, now they are devoting at least part of their energies to worrying about their own strategic situation. Interviews with Prime Minister Olof Palme, Defense Minister Anders Thunborg and a number of senior officials and defense analysts left no doubt that most Swedes are more than a little concerned about what the Russians are up to.

Although no consideration is being given to abandoning the policy of nonalignment, many Swedes are giving more serious thought to the problems of remaining neutral in the event of a European conflict.

Swedes were angered by the cavalier attitude displayed by the Russians over the operation by Admiral Sergei Gorshkov's submarines in Swedish waters, and over an alleged airspace violation in August.

Also worrying to Swedes is this passage in a book published recently by the Soviet Scientific Council on Peace and Disarmament: "The strategic location of Swedish territory is such that the U.S.S.R. cannot be indifferent to the prospects of Sweden's airspace, territorial waters and land being used for aggressive purposes."

The book, "Non-Nuclear Status to Northern Europe," cites a long bill of particulars on how Swedish policy allegedly deviates from nonalignment in its intelligence and arms cooperation with the North Atlantic Treaty Organization and its membership in Western organizations. Written by one L. Voronkov, the book has been published in five languages.

When I asked Prime Minister Palme about the book, he dismissed it with a wave of the hand, saying that Soviet diplomats had assured him it was an aberration.

There is little doubt that the situation in Northern Europe is developing in a way that could make it difficult for Sweden to remain neutral in any NATO-Warsaw Pact conflict.

But the Palme government does not seem to share this view.

Pierre Schori, the No. 2 man in the Swedish Foreign Office, outlined Sweden's strategic situation. He began with the Soviet nuclear buildup on the Kola Peninsula, which he noted is not primarily directed at the Nordic area. He acknowledged increased Pentagon attention to Norway (about which the Palme government clearly has limited enthusiasm). Yet he concluded that the strategic situation in Northern Europe remains fundamentally unchanged.

When I noted that he had not referred to the Soviet modernization of its conventional forces on the Kola Peninsula or its buildup in the Baltic area, Mr. Schori seemed disinclined to show much concern.

A higher level of concern was evident at the Defense Ministry, but even there it was well-modulated. This is understandable. If the Palme government were to say that Sweden's situation had become a great deal more dangerous, it would have to make significant increases in its military budget. It has no desire to do this, nor do the opposition parties.

For the most part, the military must make do with the budgets laid out in the defense plan for 1982-1987, which was drawn up before the submarine incidents. The navy is spending more money on anti-submarine warfare, but most of this comes from other parts of its own budget.

NATO officials are concerned about Sweden's ability to defend its airspace against Warsaw Pact aircraft headed toward Norway. This is a sensitive subject with Swedish officials. If they were to suggest that they could not prevent Soviet overflights, they would be raising questions about their ability to protect Sweden from air attack.

Sweden has a good air force but inadequate radar. Until it gets airborne radar some time in the 1990s, it will have negligible possibilities of preventing NATO violation of its airspace and questionable ability to prevent Warsaw Pact overflights.

The security debate is complicated by the fact that an election is scheduled for next September. Unlike the Norwegian parties, which also face an election next year, the Swedish parties have not managed to reach an agreement to shelve the security debate. Mr. Palme and the leader of the Moderate Party, Ulf Adelsohn, are already sharpening their knives.

Their speeches provide good theater. They do not, however, come to grips with essential security problems, including the fact that Swedish military forces have been allowed to run down from their peak state of readiness in the 1950s.

The prospect now is for continued shadowboxing on security policy. Mr. Palme indicated that his strategy is to emphasize legality, human rights and disarmament. He will continue to champion the proposal of the commission he led for a nuclear-free corridor in Central Europe, even though this is not on the U.S.-Soviet agenda. There will be as much activity concerning a Nordic nuclear-free zone as the divergent interests of Nordic governments permit.

Swedes are worried about the Russians — but not enough to raise their defense spending by much. The focus in the coming year will be on elections. Meanwhile, Soviet generals and admirals will continue to work on and exercise plans for an attack on Sweden — if and when Soviet interests should require it.

International Herald Tribune.

ARTS / LEISURE

Another Lennon: 'I Am Who I Am'

By Michael Zwerin
International Herald Tribune

PARIS — Julian Lennon, the 21-year-old son of Beatle John, has released his first LP, "Valotte," currently 25th on the Billboard chart. When asked why the texture and general ambience is so reminiscent of his father, he answered with disarming cheerful irony: "It's in the genes, mate."

The record is an attractively modest, honest, tasteful, well-produced debut of a talent that has a future. The question is: Would he have made it if his name had not been Lennon, and the answer is probably no. For awhile he thought about changing the name.

"I wanted a career in music and I am proud to have a father who made such an impression. If I had taken another name it would certainly have made things more difficult for me. I don't see the point in that. In the business world, nobody would even blink at it. Anyway, I am who I am."

His poise and patience answering the cavalcade of mostly personal questions from a group of journalists was impressive. His face is open, a sort of incomplete oval, lacking experience rather than intelligence or character. He seems to be eagerly soaking in experience from the publicity mill, not fulfilling an unpleasant obligation.

"My songs are my way for me to express certain feelings and communicate them. They are about the life that surrounds me. I've written many songs for many years. It's ridiculous to keep them for myself. It's important to me that people relate to them. 'Valotte' is just a foot on the ground, simple and easy. From here I can start making more complicated angles. If I want *to get people to listen, this is the* way to do it."

There are revealing lines on the album: "I don't know which way to turn / I've been ashamed for so many years, I don't know which end to burn."

More revealing, none of his lyrics are printed on the sleeve. Why? "Words are so permanent somehow when they're printed. They are straight in front of you and you wonder, 'What did I mean by that?' Are they clever or stupid? I don't have much experience about what is 'right' or 'wrong.' I want simplicity, I like the spaces, but I don't want it to be — well, simple-*minded.* It's difficult to explain, I'm getting confused here now."

He remembers his father singing to him, the two of them sitting on the floor with guitars: "He tried to teach me Chuck Berry and Bill Haley songs, and then if I made a tune, you know that simple three-chord rock, I'd play it to him, real proud."

When he was 5 he was scribbling a drawing and "I really messed it up. Paul [McCartney] sat down next to me and scribbled something too. I said to him, 'Well, you're making a mess of things as well.' Paul reminded me of that a few weeks ago in New York, when I ran into him for the first time in about 10 years. I said 'I like your single,' and he said, 'I like yours.' "

"Would you like to write a song with McCartney?" he was asked.

"The nicest thing about music is that you do it with friends. There's a good warm feeling when you hit on the right attitude. It's fun to make music, and I respect Paul as a musician. Sure, why not? I'd be honored."

His mother, Cynthia, divorced Lennon in 1968. After finishing school, Julian and his best friend, Justin Clayton — who plays guitar on the album — lived in Wales. *They washed dishes ("You know* the 17-year-old bit") and began to talk of forming a group (somebody suggested calling it the Lennon Drops). "We went on to higher things, started waiting tables and spilling soup on people. And then we started into music seriously."

After switching to drums, then bass, he came to the piano. He writes his songs at the piano, and considers himself a pianist.

When his father was murdered in December 1980, according to the record company biography, Julian "hit the 'young socialite' scene — visiting the London clubs, being exploited and exposed, and generally living it up. It was not the happiest of periods for him, but his 'backlash' behavior was perhaps the natural reaction of a teen-ager whose life would, from now on, forever be under the spotlight as the 'poor little rich boy, son of a murdered legend.' Contrary to any beliefs that he was propped up by money from any sources at all, there followed many hard-up months in flats in Notting Hill."

He made a demo tape that impressed Tony Stratton Smith, the chief executive of Charisma Records, who signed him to a contract. But Stratton Smith thought it would be a mistake to push the fragile boy too fast. He arranged for Julian, Justin Clayton and the Jamaican-born bassist Carlos Morales to spend several months developing a collective musical personality in the Manoir de Valotte, tucked away in the countryside near Nevers, France. There the album was nurtured, and they flew to New York to cut it.

Ruthin, the English public school Julian Lennon attended, has a fierce rivalry with a nearby state school. There were frequent fights. "Those kids took the mickey out of me for my millionaire father. They would always run after me first. I tried to avoid them at all costs."

Does the fact that he has no plans to sing in public have anything to do with fear of aggression? Does the Lennon name attract violence like Kennedy?

"There's no reason for any aggression against me. I just prefer to remain the secluded home song*writer, maybe with an odd occa*sional burst of madness once in awhile. The music business has changed, there's more freedom to choose your own lifestyle. I prefer to be a sort of Steely Dan hermit type. I'd like to preserve a private life, I'm going to try with all my might. I'm fairly hopeful at the moment."

Christian Rose

Julian Lennon

DOONESBURY

After 9 Years, The Return Of Godzilla

By Terril Jones
Associated Press

TOKYO — Japan's best-known movie monster is back in a new movie, breathing fire and tearing Tokyo apart just in time for Christmas.

It's been 30 years since the giant lizardlike Godzilla first lurched into films, tearing up the Ginza and crushing commuter trains. It's been nine years since his last appearance, when he was cast as a friendly monster fighting on mankind's side.

Not only is the newest Godzilla a monster among monsters — appearing to be 264 feet (80 meters) high, 99 feet taller than before — but he's a villain again. The $10-million feature, called "Godzilla," which opens Dec. 15 with a cast of thousands, will pit East against West and bring the world to the brink of nuclear conflict.

In the first film, Godzilla was aroused from the ocean deep by a hydrogen bomb test. This time, according to Masaru Yabe, a film producer for Toho Co. Ltd., the 110 million-year-old lizard is awakened from his slumber by a volcanic eruption. He wades ashore in Japan and attacks a nuclear power station where, by feeding on plutonium, he becomes more powerful.

Later he levels the newest department stores in the downtown Ginza district and then zeroes in on skyscrapers in the Shinjuku entertainment area, where many cinema houses doubtless will be showing the film.

Godzilla also finds the opportunity to attack both U. S. and Soviet nuclear submarines, and advance publicity shots show him batting down surface-to-air missiles and making confetti out of U. S. Air Force F-16 jets.

"A bad Godzilla is stronger," Yabe said. "Anyway, Godzilla's so big he'd crush everything wherever he went, whether he was good or not."

The monster — which the Japanese call "Gojira," a combination of "gorilla" and "*kujira*," or whale — first appeared in 1954 in the movie bearing his name.

According to the movie company, 65 million Japanese have seen the 15 Godzilla films, including "Godzilla Strikes Back," "Son of Godzilla" and "Godzilla vs. Megalo."

Sayuri Takano, director of the movie company's Godzilla fan club, said, "We have about 35,000 members, but we expect 50,000 before the end of the year."

The new movie has a cast of 2,300 people, but the real star is a $420,000 computerized Godzilla, standing nearly 17 feet tall and weighing 1.2 tons.

The new film's advance hoopla already has generated a spinoff market valued at $230 million, with at least 129 products including Godzilla models, video games, chewing gum and inflatable Godzilla coat hangers. One elaborate statue sells for $200.

'Joe Palooka' Retires From Ring

The Associated Press

GREENWICH, Connecticut — Joe Palooka, the shock-haired fighter who held the world heavyweight title for 54 years on America's comics pages, has hung up his boxing gloves.

Palooka, retired last week to Wilkes-Barre, Pennsylvania, the hometown of the man who originated the character, the late Ham Fisher. But Tony DiPreta of Greenwich, the 63-year-old cartoonist who has been doing the strip for the past 25 years, says he won't retire. Instead, he'll turn his pen to "Rex Morgan, M. D."

DiPreta is saying farewell to Palooka reluctantly. He blamed the end of the strip on the decrease in the number of smaller U. S. newspapers. At one point Joe Palooka was sold to 900 papers, but that number dwindled to 182.

Punk and Butterflies, Each the 'Total' Look From Zandra Rhodes

International Herald Tribune

LONDON — Ten years before anybody else, the fashion designer Zandra Rhodes was into a total look, and that meant her own.

To go with her colorful creations, she did not hesitate to dye her hair a bright orange or pink, or all the colors of the rainbow. She also has been known to glue feathers at the end of green hair or have hair trimmed like an artichoke.

From year to year, she also changed her face, which, she claims, is "always a logical extension of the total look I was looking

HEBE DORSEY

for." Starting with what she calls "a mildly shocking appearance," she experimented with shaving back her hairline, wearing two pairs of false eyelashes and gluing rhinestones over clownish eyebrows.

All *this, and more, is in* her book, "The Art of Zandra Rhodes," published by Jonathan Cape and written by Rhodes with Anne Knight. The book got a send-off at Harrod's Wednesday — a long way from her modest beginnings and a sign that Rhodes, whose graceful, ethereal dresses have been worn by the likes of Princess Anne, is now part of the Establishment. Or, as she calls herself, "Establishment Punk."

The book is an extension of Rhodes. Colorful and handsomely illustrated, it picks up Rhodes's favorite and best-known fabric designs as well as her romantic gowns of the past 16 years. Many sketches are explained in her distinctive and highly decorative handwriting, which shows Rhodes's fascination with calligraphy.

Rhodes has recorded everything she has done from the day she started: drawings, prints and garments. Her personal archive of 2,000 garments includes the original of every one she has ever made.

Starting as a fabric designer, Rhodes was able to overcome the "once a textile designer, always a textile designer" syndrome. She evolved into an all-around designer, tackling dresses, coats, home furnishings, and bed and bath linen.

She always started with a print and evolved her own shapes, letting the prints guide her. The results are highly unorthodox in terms of classic cut, and her gowns, which often *look like huge butterflies,* have a distinct Rhodes look. In the book, which she initially thought of calling "Zandra's Butterflies," the dresses are laid out flat like butterflies pinned on a wall.

The book consists of 16 chapters, which Rhodes calls journeys, in which she explains each different theme in terms of her personal experiences.

Starting from a humble background — "I came from a working-class family. My father was a lorry driver" — Rhodes explains that they never sat around doing nothing. Even on vacations, "we always took things like jigsaw puzzles and worked on them together." Her mother, a senior lecturer in the fashion department at Medway College of Art, was her lead to fashion.

That explains Rhodes's working intensity — she says she still works 14 hours a day — and enormous drive. Her accent is also still good and loud — and, if anything, she tends to exaggerate it when she wants to do what she calls her "sending-up act." Her beginnings equally account for her sense of thrift: She never throws any idea away.

In her early days and "since we were always short of money," Rhodes's life centered on work, television, the supermarket and short trips — such as one she took to Blackpool, where she was impressed by "enormous fantasies in electric light." All this, combined with American pop art, comic strips and local advertisements gave way to her first prints inspired by light bulbs, Campbell's black bean soup cans and cartons of Omo powdered soap.

Globe-trotting Rhodes has been hugely influenced by her travels. When she went to the United States, she ended up with a fascination with American Indians — hence her "Indian Feathers" collection. Another trip through the Mohave desert resulted in prints called "Cactus Highway," "Cactus Volcano," "Giant Cactus," "Tiny Cactus" and "Cactus Square." Not to mention "Cactus Everywhere," which turned up on a silk chiffon dress. She also fell in love with Western gear, and began designing prairie shirts, gaucho chaps and cowboy shirts.

In one of her most interesting chapters, called "Conceptual Chic and Punk," Rhodes demonstrates her adaptability. In 1977, she felt that times were changing. To go with the day's movements, she dropped her floating, fragile dresses and tackled punk-inspired fashion, fastened with chains and safety *pins and full of torn, gashing holes,* a revealing reflection of the times.

Robin Beeche

Detail of cover photograph for "The Art of Zandra Rhodes."

Gory Yule Film Withdrawn in U.S.

The Associated Press

LOS ANGELES — "Silent Night, Deadly Night," a Christmas horror film that sparked protests because it features an ax-murderer dressed as Santa Claus, is being dropped from U. S. distribution by Tri-Star Pictures.

Tri-Star officials curtailed plans to widely release the exploitation film after its poor initial box office earnings in limited release, the Los Angeles Times reported.

Kathleen Eberhardt, who started Citizens Against Movie Madness in Milwaukee, said of Tri-Star's decision, "Wow. I think it's great. I've heard of some people who wanted to know how to organize like we did."

The film features a man dressed in a Santa Claus suit armed with an ax who carries out a murder spree at Christmas. Commercials for "Silent Night, Deadly Night" showed Santa swinging an ax at his victims and firing a pistol.

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
AtlRich	10792	46⅝	45¼	45¼	−1⅝
IBM	10137	123¼	122⅛	122⅝	+ ¼
EsKod	9915	75⅛	74⅛	74⅛	− ¾
Mobil	9251	29⅛	28¼	28¾	− ¾
PayCsh	8642	15⅝	15½	15⅝	
IntHarv	8638	8¼	7½	7¾	− ½
Unocal	8267	41¾	39¾	40	−1¾
Sears	8037	32⅝	31⅝	32	
AMR	7776	33⅝	33	33¼	− ¼
Motrla s	7038	33⅝	32¾	32⅝	
FlaPrg	7017	23⅞	23⅝	23¾	
FordM	6906	46¼	45¾	46⅛	
GfStUt	6841	13	12¾	12⅞	− ¼
Schlmb	6645	40½	38¾	39	−1⅜
Exxon	6485	43¾	43⅛	43¼	− ⅝

Dow Jones Averages

	Open	High	Low	Last	Chg.
Indus	1218.75	1224.49	1204.16	1212.35	− 7.95
Trans	533.88	536.32	529.67	531.78	− 1.21
Util	145.93	146.08	143.88	144.65	− 1.07
Comp	484.06	486.05	479.09	481.42	− 2.69

NYSE Diaries

	Close	Prev.
Advanced	659	1218
Declined	902	332
Unchanged	468	411
Total Issues	2029	1961
New Highs	50	49
New Lows	27	21

NYSE Index

	High	Previous Low	Close	Today 3 P.M.
Composite	96.10	95.43	96.10	95.48
Industrials	111.07	110.42	111.07	110.26
Transp.	87.48	86.72	87.48	87.42
Utilities	50.34	50.05	50.34	50.14
Finance	95.61	94.87	95.61	95.14

Odd-Lot Trading in N.Y.

	Buy	Sales	*Sh'rt
Nov. 23	109,517	314,489	872
Nov. 21	133,031	369,533	2,410
Nov. 20	138,446	398,549	1,992
Nov. 19	141,439	419,526	2,482
Nov. 16	124,188	375,791	1,781

*Included in the sales figures

Monday's NYSE Closing

Vol. at 3 P.M.	64,230,000
Prev. 3 P.M. vol.	61,930,000
Prev consolidated close	87,405,530

Tables include the nationwide prices up to the closing on Wall Street

AMEX Diaries

	Close	Prev.
Advanced	227	336
Declined	326	182
Unchanged	230	220
Total Issues	783	738
New Highs	9	10
New Lows	24	19

Standard & Poor's Index

	High	Previous Low	Close	Today 3 P.M.
Industrials	187.09	184.55	187.09	185.53
Transp.	137.99	135.56	137.99	137.95
Utilities	74.41	73.19	74.41	74.06
Finance	18.24	17.86	18.24	18.12
Composite	166.92	164.52	166.92	165.64

NASDAQ Index

	Week Close	Year Ago	Ago	Ago
Composite	245.45	245.68	245.12	285.49
Industrials	262.28	262.57	262.51	335.41
Finance	291.41	—	290.21	274.86
Insurance	272.13	—	271.86	258.28
Utilities	226.23	—	221.91	282.97
Banks	223.60	—	222.17	199.60
Transp.	233.32	—	233.74	290.74

Dow Jones Bond Averages

	Prev. Close	Today 2 P.M.
Bonds	72.77	72.74
Utilities	69.77	70.06
Industrials	75.77	75.42

AMEX Most Actives

	Vol.	High	Low	Last	Chg.
BAT	22241	3⅝	3⅜	3⅝	+ ¼
ImpGp	10082	2	2	2	
TIE	4743	6⅝	6	6⅛	− ½
PrenH	4530	70¾	70⅛	70¾	− ½
DomeP	2068	2	1⅞	1⅞	− ⅛
EchoB g	1890	10⅝	10⅛	10½	− ⅜
Ultmte	1783	15	12⅞	13⅜	−1⅝
WangB	1346	27⅞	27⅛	27⅜	− ⅜
BergBr	1171	23½	23⅛	23⅜	+ ½
FrntHd	1095	14	13	13⅞	+1⅛
OzarkH	1045	9⅝	9⅛	9⅝	+ ⅛
ChmpH	1004	3¾	3½	3½	

AMEX Stock Index

High	Previous Low	Close	Today 3 P.M.
209.26	207.34	209.22	207.23

NYSE Trading Is Moderate

United Press International

NEW YORK — Prices on the New York Stock Exchange retreated late Monday with investors taking a cautious stance in light of the tax reform proposals about to be announced in Washington.

The Dow Jones industrial average, which gained 18.78 Friday, was down 8.62 at 1,211.68 an hour before the close.

Declines led advances 898-to-625 among the 1,979 issues traded. Volume totaled 64.2 million shares, up from 61.9 million in the equivalent period Friday.

Analysts said although several banks followed up last week's cut in the discount rate with reductions in the prime interest rate, investors apparently were waiting to get a look at the tax proposals due Tuesday.

Although prices in tables on these pages are from the 4 P.M. close in New York, for time reasons this article is based on the market at 3 P.M.

Charles Comer of Oppenheimer & Co. said some investors may have decided, "Why jump in today when you can hold off for a day?" to see exactly what the personal and corporate tax proposals are.

Mr. Comer also noted that professionals who were away from the market Friday due to the Thanksgiving holiday on Thursday are probably taking some profits after the big gain.

Marvin Katz of Sanford C. Bernstein Co. said weakness in oil issues reflected a downturn in prices on the spot markets Friday.

"OPEC is banking on a cold December to bail them out," he said, adding that remarks of Saudi Arabia's oil minister that demand for oil could overtake supply by the end of the year did not convince many on Wall Street.

Just as the stock market opened, New York's Citibank and several other banks announced a cut in the prime interest rate to 11½ percent from 11¾ percent.

Friday's rally in the stock market was triggered by the cut in the discount rate announced late Wednesday by the Federal Reserve. The Fed reduced the rate to 8½ percent from 9 percent, noting the slowing economy.

Henry Kaufman, the Salomon Brothers economist, said the Fed appeared to be using the discount rate as a "more dynamic instrument for monetary easing." He said there could be another cut in the discount rate early next year.

The federal funds rate — the interest on loans of reserves between banks — was 9 percent in the early going Monday, up a bit from Friday. U.S. Trust Co. lowered its broker loan rate to 10 percent from 10¼ percent.

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EUROMARKETS

A SPECIAL FINANCIAL REPORT — PART II

Part I Appeared
In Yesterday's Editions

Euroyen Changes: Waiting for Fallout In Global Markets

By Richard C. Hanson

TOKYO — Dec. 1, 1984, may go down in international financial history as the beginning of a new era as far as Japan's involvement in Euromarkets is concerned — a proper birthday of sorts for Euroyen.

There are still, however, doubts in the minds of Japan's monetary authorities over just where this new era will lead and how unruly a child Euroyen will prove to be. At the same time, there already are grumblings from the Americans and other advocates of liberalization over how committed the Japanese government is to carrying through on liberalization steps promised after a long — and highly political — round of negotiations that began a year ago.

A U.S.-Japan ad hoc group on yen-dollar and other financial-market issues produced a report in May this year that amounts to a blueprint for change in Japanese financial markets and the ways in which yen is used overseas.

Under pressure from a persistent band of free-marketeers at the U.S. Treasury, led by Undersecretary *Beryl Sprinkel, Japan's Ministry of* Finance has agreed to lift — at least partly — the barriers that heretofore have prevented the yen from assuming a key role in free-wheeling *international capital markets.*

In addition, between now and April 1985, a number of additional steps will be taken to deregulate Japan's domestic financial markets. These include the creation of a brand new yen-denominated market in bankers' acceptances, a popular form of trade financing, and the expansion of Japan's domestic market in yen certificates of deposit.

More importantly, the authorities have lifted foreign-exchange restrictions on short-term capital flows into Japan. These steps have helped set the stage for a longer-term freeing up of what has for most of the postwar era been a rigid *domestic interest-rate structure.*

The most immediate and visible developments, however, are taking place in the Euromarkets. The government, with some fanfare, announced this spring that Japanese companies would be free to issue Euroyen bonds. Although interest was high, that market was doomed from the start by the stubborn refusal so far of the tax authorities within the Ministry of Finance to exempt resident issuers of such bonds from the withholding tax on interest payments to overseas investors. As a result there have been no Japanese Euroyen issues.

Starting Dec. 1, non-Japanese private corporations, and a broad range of previously unqualified governmental borrowers, will be able to float yen-denominated bonds outside of the Tokyo-based — and rather closely monitored — Samurai bond market. (Equally important will be the ability of non-Japanese banks, as well as Japanese bank branches overseas, to issue Euroyen certificates of deposit as a *means of funding.*)

The market reception for non-Japanese Euroyen bonds is expected to be enthusiastic, partly because it is new and partly because it already is attracting a number of highly rated corporate borrowers, including such names as Dow Chemical, Allied Corp., TRW and Sears, Roebuck. In total, some 170 *companies, mainly American,* are qualified to issue Euroyen bonds.

The Ministry of Finance has given the market a considerable degree of freedom. Chief among the *advantages is the ability of* non-Japanese underwriters to lead-manage yen bonds, a concession that was highly unpopular among Japanese banks and brokers. Some *European authorities restrict* Euromarket issues to banks directly under their thumb. The ministry has also agreed to a list of freedoms — which are the norm in Euromarket *transactions — including no guidance* or restrictions on interest rates and no restrictions on where the bonds can be sold, outside Japan.

The authorities have insisted, *however, on isolating the direct influence* of Euroyen issues from domestic issues by forbidding resale of the bonds in Japan for 180 days after they are issued. Critics, including the *U.S.* Treasury, also think that the ministry has reserved some key levers through which it will at least maintain the appearance of control. That is in contrast to some ministry officials' worrying openly that they will not have enough of a window to monitor market activities, especially since non-Japanese companies have been allowed to play a key role.

The most visible lever is that all Euroyen bonds will have to be approved by the Finance Ministry prior to their issue. The ministry's vice minister for international affairs, Tomomitsu Oba, insists that Japan's foreign-exchange laws require such procedures and says that the approval process will be speedy.

U.S. officials think that the approval system could give rise to an official queue for Euroyen issuers. *From a practical point of view,* the requirement means that foreign institutions without a presence in Tokyo may find themselves at a disadvantage. (Euroyen issuers of *certificates of deposit must also* seek prior approval.)

Another somewhat awkward requirement is that issuers must qualify under the same rules as those tapping *the Samurai bond market.* Samurai market rules have been loosened to a large degree in anticipation of the start-up of Euroyen bonds. They are, however, rather arbitrary.

For example, IBM Corp., the computer giant, was thwarted in its bid for the slot of the first Euroyen bond issuer because its finance company, the intended issuing vehicle, does not qualify under the guidelines.

The question of qualifications will no doubt be largely resolved when a genuine yen-bond rating agency is established. There was initial resistance to the idea on the part of banks seeking to maintain the status quo in the domestic bond

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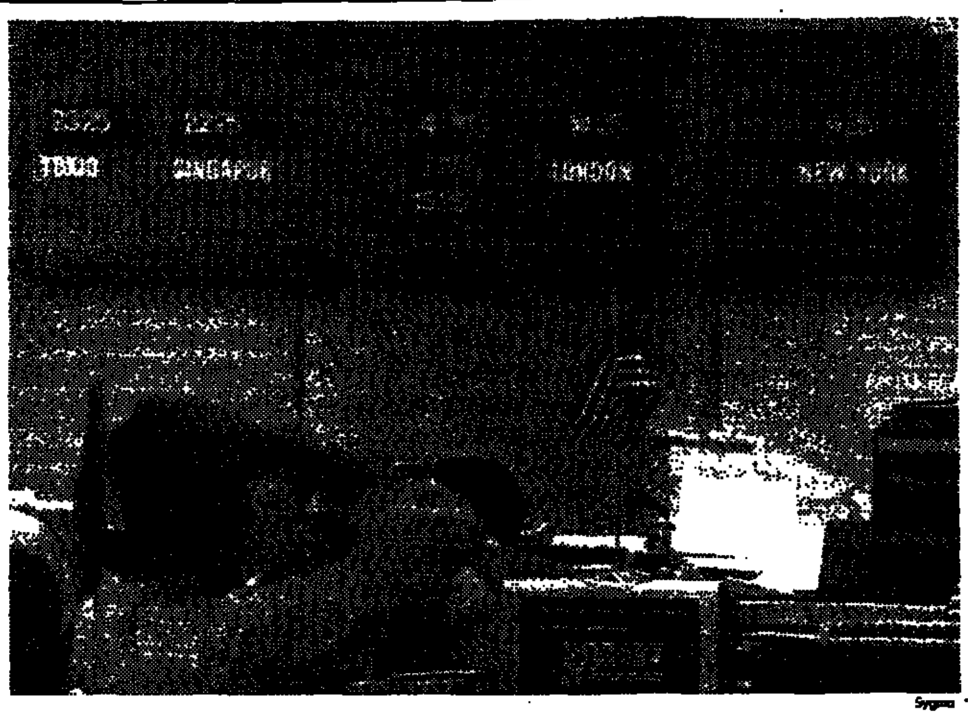

Sygma

Buying and selling at the Union des Banques Suisses in Zurich.

Gradual Economic Recovery Easing the World Debt Crisis

By William R. Cline

WASHINGTON — Major progress has been made in dealing with the international debt crisis that broke in August 1982 when Mexico temporarily suspended payments. *Improvement should come as no* surprise, because the principal causes of the crisis were the oil shocks of 1974 and 1980 and the global recession of 1981-1982. By now, countries have had time to adjust to the oil shocks, and international economic recovery has arrived.

Of $500 billion increased debt since 1973 for nonoil developing countries, about half can be attributed to sharp increases in oil prices and another 30 percent to export losses and excessive interest payments associated with the 1981-1982 recession and high international interest rates. Of course, domestic policies made matters worse in *several* important cases. Overvalued exchange rates and low interest rates encouraged massive capital flight from Argentina, Mexico and Venezuela. As much as half of Argentina's debt merely financed capital flight instead of productive investments as in Brazil.

The debt crisis threatened the financial system. The nine largest *U.S.* banks have *280* percent of their share capital at stake in loans to developing and Eastern European countries. Policy-makers responded to the threat energetically, and, in the first phase of the crisis, engineered financial rescue packages that involved country adjustment under the auspices of the International Monetary Fund, increased lending from banks, and official support from the *IMF,* export credit agencies and, in some cases, central banks.

This strategy made the critical assumption that the debt problem was one of short-term illiquidity, not long-term insolvency. Events now are beginning to confirm the accuracy of the judgment. The debt problem has entered a second phase of adjustment in place of crisis. In 1983, the 19 largest debtor countries reduced their external (current-account) deficits from $56 billion to $23 billion. Mexico turned a 1981 deficit of $12 billion into a 1983 surplus of $5.5 billion; Brazil cut its deficit from $14 billion in 1982 to an expected $2 billion or less this year. The driving force in this improvement is international economic recovery, which boosts the volume and prices of exports from debtor countries. In *addition, major adjustments have* been made in exchange rates and other country policies.

Progress has not been painless. Domestic production declined by more than 3 percent in *Latin* America in 1983, and total per-capita income is about 10 percent lower than in 1980. And much of the turnaround in trade balances is attributable to plummeting imports as domestic recessions cut demand. However, economic growth has begun again in the region; this year, growth should be 2 to 3 percent in Mexico, Brazil and Argentina, and the outlook is for higher growth in future years. Moreover, in the future it should be possible to achieve substantial growth without a mushrooming of imports back to their bloated levels of 1980-1981, when overvalued exchange rates in Mexico, Argentina and Venezuela encouraged excessive imports.

Even Brazil has sharply cut its import requirements by dramatic progress in domestic energy production. The ability to grow without a sharp increase in imports also means that it is feasible, and indeed desirable, for debtor countries to pay out more interest than they receive in new borrowing. Some analysts have lamented this "outward transfer of resources," but it is necessary if the debt burden is to be reduced relative to exports, and it is compatible with rapid domes*tic growth based on export expansion.*

The motor force in recovery from the debt problem is global

(Continued on Next Page)

The author is a senior fellow at the Institute for International Economics in Washington.

Floating-Rate Notes Lift Eurobonds to New High

By Carl Gewirtz

PARIS — The Eurobond market, which many analysts had feared would wither once the U.S. withholding tax on interest pay*ments was removed,* will have a record year in 1984.

That tax, like the Interest Equalization Tax imposed in 1963 to restrict direct foreign investments by U.S. corporations and repealed more than a decade later, was largely responsible for the development of the Eurodollar bond market. But, as the removal of the IET demonstrated, the international capital market with some $200 billion of outstanding issues has outgrown those early crutches.

The volume of issues launched in the first 10 months of this year — $62.78 billion, according to data compiled by Morgan Guaranty Trust — is already 22 percent ahead of the previous annual record of $51.7 billion set in 1982, and is 52 percent over the 10-month pace of last year, which had been the second most active year.

The shattering pace of business is due entirely to an explosion of the volume of floating-rate notes, figures compiled by Salomon Brothers show. These are securities whose coupon is regularly readjusted at a fixed margin over the London interbank offered rate, which is consistently the highest of the money-market interest rates.

FRNs now account for 39 percent of total business, up from 31 percent last year and 23 percent in 1982. As demand has increased, margins have narrowed (as have the issuing costs charged by banks) *— encouraging nonbank issuers to* tap this market and use the funds to pay down more expensive bank loans.

Reflecting the overall market, where securities denominated in dollars account for 81 percent of total volume, dollar floaters are by far the biggest segment. But this should not blur the view that the instrument is winning wider appeal.

The volume of sterling FRNs so far, £1.36 billion, is nearly triple last year's total of £505 million, and notes denominated in European *Currency Units* this year *made* their debut on the market. In light of the 32-percent surge in the volume of ECU-denominated fixed-rate bonds sold this year, the ECU *may represent a new pocket of* growth *for floating-rate paper.*

Still, it is the 71-percent jump in the volume of dollar FRNs over last year's total that is the most *stunning. In the first 10 months,* $24.06 billion worth of dollar paper has been issued — virtually identical to the amount of straight dollar debt, classic fixed-coupon bonds, *of $24.09 billion.*

In the former peak year of 1982, floaters accounted for less than half the volume of straight dollar issues and last year rose to two-thirds.

The amazing aspect of this increase in FRNs is that it coincides with a period of very low inflation. One of the traditional sales pitches used to attract investors has been that the FRN's adjustable rate is one of the best safeguards available against inflation since interest rates normally would be expected to climb as inflation rises.

In fact, however, the rate of inflation has fallen and, indeed, interest rates have declined. But none of this has had an impact on the FRN market.

This bedevils government officials. So, too, does the persistent record high level of real interest rates — the gap between the rate of inflation and the rate of interest. *Officials say they find very strange* the market's apparent refusal to accept as real the decline in inflation or its inability to shake off the behavior patterns built up during the decade-long experience of rising inflation and interest rates.

Obviously, there remains considerable skepticism about the U.S. rate of inflation staying low — especially if the dollar weakens, *pushing up the cost of imports* — as well as great uncertainty about the direction and level of interest rates, given the enormous size of the U.S. budget deficit.

But *Michael von Clemm, chairman* of Credit Suisse First Boston and one of the earliest promotors of FRNs, sees other reasons for the swelling volume of issues.

The notes, he believes, are being bought by banks who are turning away from the syndicated credit market — because the loans are for less creditworthy borrowers and/or because loans generally cannot be sold whereas there is a very liquid FRN secondary market.

In fact, the Bank of England, wary of a pyramiding of interbank *investment,* told banks operating in Britain that holdings of subordinated FRNs issued by other banks would be deducted from the purchasing bank's capital base. At the time, it was feared the move would stifle market activity — but that has not happened.

Mr. Von Clemm also believes many institutions want to diversify away from placing their deposit money exclusively with banks and thus jump at the chance to buy FRNs issued by sovereign borrowers such as Belgium, Denmark Ireland, Italy, New Zealand, Spain and Sweden.

Even for institutions willing to place deposits with banks, FRNs may be preferred because the income is higher. Deposits are remunerated at the interbank bid rate (usually ⅛-point below the offered rate) while FRNs usually bear interest using Libor as the base rate. The FRNs can be sold before final maturity in the secondary market while deposits are for a fixed term, which can be withdrawn prematurely only at a penalty.

The tremendous increase in volume and size of individual issues have improved the liquidity of the

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Terms of Success: Mexico's Formula For Debt Payment

By William A. Orme Jr.

MEXICO CITY — At a recent conference here of foreign bankers and businessmen, *Mexico's chief* debt negotiator was sketching the debt "mountains" Mexico would be expected to ascend if its foreign loans were not restructured on more favorable terms.

"Next year, we would have had to climb this $9.76-billion Matterhorn," José Angel Gurria, the gov*ernment's director* general for public-sector credit, said, stabbing his pointer at the first peak on his giant debt-profile chart. "In 1987, we would have had to scale an Everest of $14.1 billion, and *then* a $13.5-billion K2 [Godwin Austen, the second-highest mountain in the world] was waiting for us in 1988."

As the debt was structured after Mexico's first emergency multiyear rescheduling agreement just a year before, the government was faced with a staggering $69-billion in amortization commitments over the next six years, Mr. Gurria said. But under the terms of the proposed $48.7-billion rescheduling accord accepted in principle by Mexico's *major creditors* in September, the government would have to pay only $16 billion in principal during the same period, 1985-1990.

"Now we are leveling those mountains," Mr. *Gurria* said. The new accord includes the $23.5 billion in loans that were rescheduled in 1983 over eight years, as well as $20 billion scheduled to fall due between 1985 and 1990.

In the lengthiest amortization schedule ever granted to a Third World government, Mexico's biggest creditors have agreed to *stretch out principal payments over* the next 14 years, giving the country until 1998 to cancel its present debt. Annual payments under the plan would rise gradually to a plateau of between $5 billion and $6 billion after 1990, in contrast to the present amortization calendar, which calls for virtually the entire public foreign debt to be repaid before that date.

The restructuring plan does nothing to alleviate the burden of interest payments, now averaging *some $11 billion yearly* — payments that have spared Mexico's big U.S. creditors from having to declare their Mexican loans nonperforming, a move that would devastate the *creditors' earnings.* Innovative debt restructuring formulas such as an interest-rate ceiling or a debt-servicing limit determined by export earnings — proposed by independent economists and by Latin American regional economic bodies — were not sought by Mexican negotiators, bankers report.

Sygma

In Buenos Aires, watching the changing foreign currency rates has become a part of daily routine.

But the accord does give Mexico a "manageable debt profile," and should keep the country from "ever having to seek a rescheduling pact again," said Mr. Gurria, the agreement's principal architect.

The deal also saves Mexico money by trimming bank fees and interest spreads. Equally important, about $22.7 billion in loans now pegged to the U.S. prime rate will be tied instead to the lower interest rates charged for certificates of deposit, "basically identical to and sometimes even slightly below" the London interbank offered rates, or *Libor, according to the Mexican* Treasury.

"We recognize that the prime rate is a politicized figure that fluctuates with an unpredictability that impedes even *short-term financial planning,*" a U.S. banker said. "Libor makes sense for Mexico, and we have no objection to the change."

The restructuring plan, endorsed in September by a steering committee of *13* of Mexico's largest commercial creditors, was formally presented immediately afterward to all 560 foreign banks owed money by the Mexican government and its agencies. Involving more than 50 separate debt agreements with an interlocking welter of Mexican public-sector borrowers, the accord could take as long as a year to arrange, Mexican officials say.

Mexican negotiators also concede that they anticipate resistance from many of the smaller banks involved, particularly those ensnared in Mexico's debt woes for offering short-term trade credits.

But leading bankers and Mexican authorities profess confidence that the agreement will be approved by most, if not all, of Mexico's creditors. It was clearly impos-

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Terms of Success: The Mexican Formula

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sible, they agree, for Mexico to meet a debt-servicing schedule that would have obligated it to pay interest and principal payments in 1987 of about $26 billion — "equivalent to the total of our present exports of goods and services," as Finance Minister Jesus Silva-Herzog recently pointed out.

"The banks had to give in and accept the arguments that Mexico so convincingly presented," said José Carral, head of Mexican operations for Bank of America.

Indeed, Mexico's greatest negotiating asset has been its careful compliance with the terms of its International Monetary Fund agreement. Its record has persuaded many bankers that the country should be rewarded as a model for other Third World debtors. Perhaps the most controversial aspect of the proposed new restructuring accord is that the IMF would no longer be available to police it — Mexico's IMF agreement expires at the end of next year and the government has announced that it will not be renewed.

After 1985, the government has promised simply to make available to creditors the fiscal reports that Mexico, like most IMF members, regularly presents to fund authorities. Unlike the strict regimen of an IMF loan agreement, which demands adherence to precise inflation and deficit-reduction programs, these regular IMF reports do not stipulate targets or mandate the achievement of economic goals.

Also unlike present debt arrangements, the new restructuring plan has no provisions for annual reviews of repayment terms and national economic performance. Even if Mexico's economy collapsed calamitously, bankers would have no authority to suspend the rescheduling agreement until after 1988, Mr. Silva-Herzog informed the Mexican senate last month. Since August 1982, Mexico's commercial-debt accords have depended on the country's fulfillment of its IMF obligations.

Mr. Silva-Herzog, at a U.S. Federal Reserve Board meeting in Texas in November, assured attending bankers that Mexico was on the road to economic recovery. He pointed to the reversal of the 1982 trend toward hyperinflation and the record trade surpluses of this year and last. Domestically, however, the finance minister has stressed instead that the fight to improve the economy must be intensified and that the debt restructuring alone is no guarantor of fiscal health.

"In no way should this negotiating effort be considered a panacea," he said in congressional testimony Oct. 18. "What it does represent is an advance, offering greater certainty regarding the future and transforming what had been a great obstacle into a manageable problem."

Some Mexican economists have complained that, despite the debt crisis of 1982, Treasury authorities still plan to borrow a further $20 billion from foreign lenders over the next six years, raising the debt beyond $115 billion by the end of 1990. But the officials respond that Mexico will rely increasingly less on commercial bankers and more on lower-cost multilateral lenders and foreign government trade credits, while reducing the relative weight of the debt in relation to the economy.

At the close of the decade, Mexican finance officials assert, the foreign debt will be equivalent to 32 percent of Mexico's gross domestic product, down from this year's 56 percent. Mexico would not return to its former foreign-loan addiction even if bankers gave it that option, officals insist. "Borrowers and lenders alike have learned many painful lessons in in the past two years, and these must not be forgotten in in the days ahead," Mr. Silva-Herzog said in a message to creditors two months ago.

Such assurances notwithstanding, resistance to the restructuring package has been reported from British central bankers as well as from many small U.S. commercial banks. But most of the large U.S. banks that hold about a third of Mexico's public debt have approved the plan. In Japan, where banks are owed about 17 percent of Mexico's debt, Deputy Finance Minister Francisco Suarez Davila recently reported that he had secured agreement on terms from private and government banking authorities.

If approved, the $45.7-billion restructuring would represent the largest single banking transaction in modern history. But that record might not stand long. The Mexican rescheduling formula, despite assertions to the contrary by such prominent debt bankers as Citibank's William Rhodes, is seen as a model for the inevitable restructuring of Brazil's even larger debt (Mexico acknowledges a $96-billion foreign debt, while Brazil's is commonly estimated at $110 billion or higher.)

Though unprecedented, the long term of the rescheduling delay — 14 years — was perhaps the easiest portion of the agreement to sell to major money banks and will doubtless be a yardstick for future rescheduling accords in Brazil and elsewhere in Latin America. A month before Mexican negotiators came forward with their rescheduling proposal, the representative of a leading U.S. bank in Mexico City noted that his company had been established in Mexico for more than half a century and was unperturbed by the prospect of a long-term debt commitment. "What's another 15 years or so?" he said.

Probably the biggest concession of the bank to Mexico was the agreement to include $17 billion in pricipal falling due in 1989 and 1990; President Miguel de la Madrid's administration leaves power in December 1988.

Many foreign bankers, aware of the often radical swing of the ideological pendulum accompanying Mexican government changes, had expressed skepticism about the ability of a Mexican administration to negotiate that payment term for a subsequent regime. But if Mr. de la Madrid had rescheduled only his government's financial obligation, he would have been exposed to charges of attending only to his personal political fortunes. In exchange, Mexican authorities inserted a clause permitting bankers to "review" the rescheduling agreement at the close of 1988, following the inauguration of Mr. de la Madrid's successor. In the event of "a truly dramatic problem in the country's economic situation," the bankers could then propose a new repayment formula, Mr. Silva-Herzog said in his October report to Mexican legislators.

When he unveiled the restructuring plan in September, Mr. Silva-Herzog emphasized with pride that it was "not a traditional agreement." The accord "breaks with orthodoxy" not only in its elongated amortization schedule but in its technical provisions for reducing Mexican dependence on the U.S. prime rate.

The most novel of these provisions, also expected to be copied in subsequent multiyear debt reschedulings elsewhere in Latin America, is Mexico's invitation to non-U.S. banks to convert up to half their loans into their national currencies in gradual installments over a period of 42 months.

Mexico may eventually see more than $10 billion in dollar-denominated loans transformed into credits in yen, Deutsche marks and pounds, analysts estimate.

John Copes-van Hasselt

A Helsinki Stock Exchange trader at work.

Borrower or Lender? China's Euromarket Role Waiting to Be Moulded

By Eva Dadrian

LONDON — As China awakens from its financial slumber, Western bankers are puzzled whether the Asian giant will be a major lender on the markets or a borrower. The answer is both, probably.

An export drive has sent China's foreign reserves rocketing from $2.2 billion in 1979 to an expected $20 billion by the end of this year. This healthy increase — along with an industrialization policy that extends to 1990 — has impressed bankers, who are lining up outside the offices of the Bank of China, as well as other major financial institutions overseas, in London, Hong Kong, Singapore and Tokyo — all anxious to do business.

The figures for China's latest development plans — which call for $200 billion to be spent on projects by the year 2000 to convert China from a backward nation into an industrial powerhouse — have lured many Western banks to set up shop in Beijing, usually in nothing more than a hotel room, even though the operation may cost them $500,000 a year.

But while the bankers sit through interminable 12-course banquets, waiting to be selected to finance China's next leap forward, Chinese bankers themselves have been busy on the Euromarkets. Their aim has been to raise cash through investments and learn the ropes of international finance. Some financial reports claim that since 1981, China has pumped nearly $5 billion into the Euromarkets.

They have been doing that with aplomb. The Bank of China has underwritten, with the help of Merrill Lynch and Co., more revolving underwriting facilities (RUFs) in 1984 than the wizard merchant bankers of London's City. The Bank of China, which is not to be confused with the central bank, the People's Bank of China, also joined in with 22 other banks to comanage.

A $400-million floating-rate note was issued early this year by the Banque Nationale de Paris. With its current favorites, the Japanese banks, the Bank of China joined Saiwa Securities Co. in underwriting Citicorp's issue of $100 million in notes. The Chinese also took part in the landmark RUF for Denmark, worth $500 million.

The head of the China department at one of the British clearing banks said: "China is like the Sleeping Beauty waiting for Prince Charming to come and wake her up. The Japanese have the temerity to think that they are Prince Charming."

More than 18 Japanese banks have established themselves in Peking, and the Chinese, in turn, have been active in the Japanese financial markets. Within the last year, the Bank of China has bought more than $300 million in Japanese government securities. According to one merchant banker in Hong Kong, the Chinese have a yen for Japanese paper because rates are lower than in the United States, say, or Europe.

The Chinese Communist government still looks warily on the capitalist markets, and it worries obsessively about falling in debt to Western banks. In the bureaucratic offices and shops of Guangzhou, a visitor often sees a poster showing a frail Chinese, he who borrows on credit, with an empty safe and a mouse walking disdainfully away from a crumb on the floor, and a fat Chinese, he who never borrows, with a rice belly and a safe brimming with gold. Such peasant saws are still taken to heart by the Politburo, even though, not far back, the Bank of China was allowed to enter into a joint venture in Hong Kong.

The venture, known as the CCIC, with the First National Bank of Chicago, the China Resources Co. and the International Bank of Japan, underwrites securities, extends short- and medium-term loans and dabbles in the Asian money markets.

Within China, the Beijing government approved for the first time, in October, for the Bank of China to enter into a partnership with Japan's Sanwa Bank and West Germany's Dresdner Bank in a bid to promote foreign trade. Both nations are big trading partners with China.

Excursions into Danish Euronotes notwithstanding, the Bank of China's lending has been directed to its Asian neighbors. The newsletter Agefi, a review of international financing, calculates that most of the $120 million in syndicated loans doled out last year by the Chinese remained in the Far East. Despite their volume of business, at least one Hong Kong banker thinks the Chinese are still beginners in international banking.

"They just don't have the expertise, and when you consider how fast the market moves these days and its present difficulties, this can be a real handicap," he said.

The Bank of China has been making forays into the Eastern bloc, too. Trade between China and Romania, Hungary, East Germany, Poland and Czechoslovakia amounts to almost $1 billion this year. And it has been reported on the Euromarket that the Bank of China has taken the unprecedented step of joining Arab and Western banks in supplying credit to the Soviet Union.

At present, the Chinese are painstakingly unwinding the bureaucratic tape that has mummified regional development. Even old China hands are uncertain over which direction this new decentralization will take, but Beijing wants to establish large-scale economic zones along the Pacific Ocean and the South China Sea that will probably require foreign backing.

The Chinese originally intended to subsidize this development with revenues from offshore oil production, but so far, none of the Western oil companies drilling in the region have struck crude in the quantities needed to pay for these ambitious coastal projects. Without oil revenue, China will have to borrow more heavily. Chinese economic planners have given encouragement to the foreign bankers cooling their heels in Beijing: This year, China expects to tap the Euromarkets for $2.5 billion.

Bankers who have had experience negotiating with the Chinese say that they are tough bargainers. Less charitable bankers call them naive. "They have a phobia of high interest rates," a British banker said. "That's why they prefer the yen to the dollar. The Chinese just don't see why they should pay more than 7.5 percent on foreign loans."

The loans that most excite bankers are for financing offshore oil exploration in the South China Sea. The Chinese will spend around $20 billion drilling and producing oil over the next five years, and the large Western oil companies are obliged by the Chinese to also spend huge sums of development costs. The Japanese are especially interested; they view China as a closer, and therefore cheaper, alternative to the Gulf oil producers.

China's ability to curb its foreign debt from $5.7 million in 1981 to $3.47 million this year, and its success in marketing its products in Japan and the United States despite growing trade restrictions have also helped convince bankers of the need to woo China, either as a borrower or lender.

Bruno Esch

Construction site in Guangdong Province.

Gradual Recovery Easing the World Debt Crisis

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recovery from the worst recession since the 1930s. Growth in industrial countries was zero in 1982, but rose to 2.3 percent last year and will be nearly 5 percent this year. Some other international developments have not been favorable. The interest rate rose by 2 percentage points in the first half of 1984, and the dollar has strengthened instead of declining. A strong dollar tends to depress the dollar price of traded goods, lowering the value of debtor-country exports relative to their external debt (which is mostly denominated in dollars). But the favorable effect of higher growth has outweighed the adverse effects.

For the nonoil countries as a group, export gains from 1 percentage point additional growth in industrial countries are the equivalent of extra interest payments resulting from 3 additional percentage points on the interest rate, so the benefits of a 2½-percent rise in OECD growth in 1984 far exceeded the costs of 2 percentage points higher interest (and even the rise in interest rates has begun to reverse). For heavily indebted countries, the relative influence of interest rates is greater, but the evidence is favorable even for some of these countries — Brazil's exports have risen by $5 billion this year, compared with higher interest costs of $1.5 billion from 2 percentage points additional interest.

But will progress continue? Many worry that if the pace of international recovery declines, the debt problem will worsen once again. Using a computer-based model that successfully predicted the improvement in the debt situation in 1983, I have recently published projections through 1987 in "International Debt: Systemic Risk and Policy Response," published by the Institute for International Economics, Washington. Even allowing for OECD growth moderately below 3 percent in 1985-86, the projections show continued progress in the return to creditworthiness. For the 19 largest debtor countries, the ratio of external debt to exports declines from 200 percent to 140 percent; for Brazil, from 370 percent to 225 percent, and for Mexico, from 310 percent to 210 percent. Export growth continues to increase the base for debt servicing, and an expected decline in the dollar helps as well (although progress occurs even without it). In short, the projections support the diagnosis that the debt problem is one of temporary illiquidity and will be resolved through adjustment over time without major write-offs and bankruptcy treatment.

Despite the favorable emerging economic reality, it would be a serious mistake to become complacent about international debt. The debt situation remains politically vulnerable. Authorities in debtor countries are under political pressure from the lagged effects of severe recession in 1983, and they understandably reacted in extreme frustration as international interest rates rose earlier in 1984 (increasing their interest burden). Rising rates stimulated the Cartagena movement of joint discussions among Latin American debtors. Moreover, conditions remain uncertain in some countries: Argentina's debt level is extremely high (although its projected trends are favorable) and it faces near hyperinflation; Chile and Peru have been hit by an unusual delay in the recovery of metals prices in response to global recovery. Smaller banks are becoming increasingly restive about participating in organized "new-money" packages (in which banks extend modest amounts of new lending to shore up their outstanding debt and permit the country to carry out economic adjustment).

It is important to consolidate the progress to date by further policy initiatives, as insurance against a relapse on debt. First and foremost, continued economic recovery in industrial countries is essential. Prompt action in reducing the U.S. fiscal deficit would help insure sustainable recovery by moderating interest rates, and would have additional benefits for debtor countries through lower interest costs and an easing of the dollar.

Official lending by the World Bank, regional development banks and export credit agencies needs to be increased, and it is time for more imaginative use of mechanisms, such as World Bank loan guarantees. Private banks must do their part by continuing to assure modest flows of new lending (on the order of $20 billion annually, down from $50 billion in 1981).

Banks have made an important contribution through their recent multiyear reschedulings for Mexico and Venezuela. These reschedulings avoid a difficult bunching of maturities and include an important reduction in the lending charges below the penalty rates imposed at the height of the crisis. Other countries should receive smaller packages as they demonstrate favorable economic performance.

Overall, the outlook for international debt has improved markedly in the last two years. With intelligent economic management in both the North and the South, it should be possible to consolidate and extend the progress made so far, and, by later in the decade, to return to more normal capital markets for the major debtor countries.

Proof of Risk 'Immunization' In Danish Eurodollar Issues

By William Ellington

LONDON — In October, Denmark floated a Eurodollar issue with debt-purchase warrants that was structured so that the borrower was "immunized" from the risk of the warrants being exercised. In effect, the issue showed that money could be raised at well below market rates without giving any real concession to the investors.

Naturally, the structure was copied. More than 20 issues using a similar structure were floated in the following weeks.

Managed by Morgan Stanley International, the $100-million, seven-year issue was priced at 103.5 bearing 13 percent. Payment was deferred until the end of January. The offering was accompanied by five-year warrants to buy $100 million worth of Denmark's 12.75-percent seven-year notes.

The key provision was that Denmark has the right to call the original issue in proportion to the amount of warrants exercised. This provision allows it to replace higher-yielding debt (the original issue) with lower-cost debt (the warrants issue). Furthermore, the offering price of 103.5 for the package ensured that Denmark was able to raise money at below market rates. It was, therefore, able to swap its obligation to pay fixed interest for an obligation to pay variable interest at below London interbank offered rates (Libor). This allowed it to lock in a profit for the life of the original issue. The formula was so attractive for borrowers that even Eurobond underwriters, like Credit Suisse and Merrill Lynch, used it for their own issues.

The U.S. Treasury's $1-billion auction in October of specially targeted four-year notes was four times oversubscribed. Although the notes were not Eurobonds, since they are in registered form, the structure proved to be acceptable to private and institutional investors outside the United States who generally like to remain anonymous. The notes were purchased at about 31 basis points less than an equivalent domestic issue, so the Treasury saved some money. The Treasury was quite happy to turn to the Eurobond market again about a month later.

Much of the credit for getting the Treasury's offering away belongs to David Mulford, the assistant undersecretary, who learned a lot about the workings of the international bond market during a stint of several years at the Saudi Arabian Monetary Agency.

In October, Sweden auctioned $500 million worth of its 15-year floating-rate notes at the lowest cost yet seen for a sovereign borrower. The auction showed that banks were willing to lend funds to governments at a lower rate than they were willing to lend to each other. It represented another example of how lenders and borrowers could arrange transactions among themselves without the help of intermediaries.

The notes, which give holders the option of redeeming in 1989 and 1994, pay interest twice a year at the bid rate for Eurodollar deposits instead at the offered rate. The purchasers of the FRNs received no fees. Bids averaged 99.28, or the equivalent of about one-sixteenth over London interbank offered rates (Libor). Morgan Guaranty Trust Co. acted as agent for the auction while its subsidiary, Morgan Guaranty Ltd., bought some of the notes. Shortly afterward, Sweden announced that it would retire early its $1.2-billion FRNs, which paid a quarter point over Libor.

In what seemed a daring maneuver, Exxon Corp. purchased a 20-year, zero coupon U.S. Treasury issue and then invited underwriters to make bids on a Eurobond issue that would guarantee Exxon a funding profit on its new Treasury holding. The world's largest oil company seemed to have no doubts that it could raise money in the Eurobond market at well below rates paid by the U.S. government at home. Its assessment was correct. Merrill Lynch made the winning bid. It purchased $1.8 billion nominal amount of Exxon's 20-year zero coupon issue at 11.056 to yield 11.348 percent. It then reoffered the issue to the public at 11.65 to yield 11.35 percent.

Exxon's cost was 75 basis points below Treasury yields, enabling it to bag around $20 million on the deal. The transaction demonstrated that industrial companies could make more money on the spread between the cost of borrowing and the return on lending than banks can. Furthermore, it showed they could do it on a huge scale.

National Westminster Bank proved that it is possible to raise money forever in the floating-rate-note market. Furthermore, the

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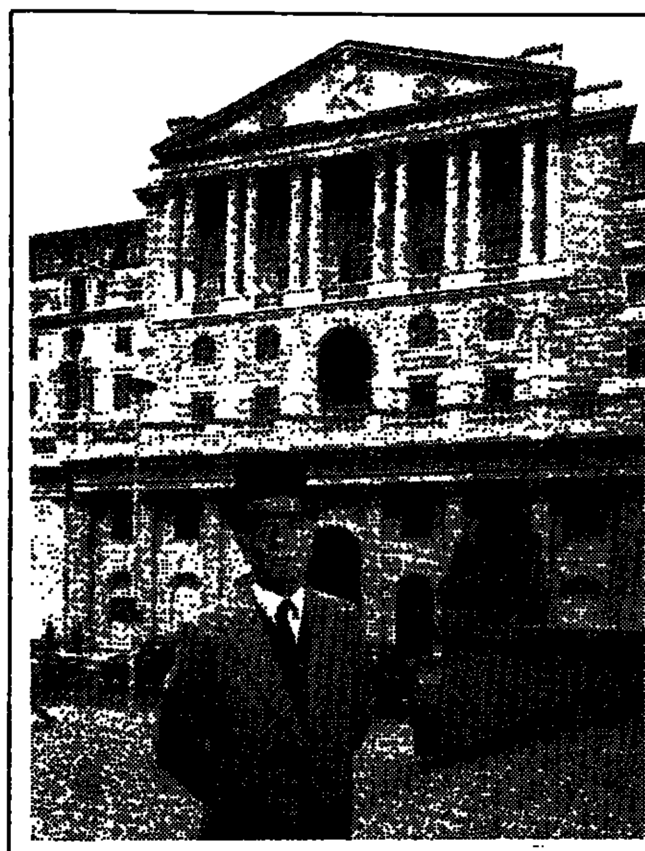

The Bank of England headquarters in London.

Sygma

Crowds waiting to exchange foreign currency in Buenos Aires.

Floating-Rate Notes Lift Eurobonds to New High

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secondary market, where bid-offered quotes can be as small as five basis points, or 0.05 percent, apart. The comfort this gives investors of being able to sell their holdings without depressing the price is a further attraction.

Bank issues dominate the market, accounting for some 60 percent. Although the cost of funds is greater than in the deposit market, banks use FRNs to lock in money for a longer period. French and Japanese banks, for example, are among the biggest issuers because they are required to match a proportion of their lending with long-term liabilities.

The deposit market, estimated at $1.2 trillion, runs from overnight to 12 months, whereas FRNs (of which banks have issued some $30 billion) can run for as long as forever. Just over $3 billion has been raised this year through the sale of perpetual issues and in most cases the banks can count this money as capital rather than as liabilities.

In addition, there are some $15 billion worth of FRNs outstanding issued by sovereign borrowers and about half as much for corporate entities, either state-owned or private.

Currently, bankers are trying to develop the market for floating rate certificates of deposit (FRCD) as an alternative to the FRN market. Deposits are what they say they are, and rank higher in security than debt — which is what most bank FRNs are. Up to now, however, the FRCD market has been hampered by a relatively small volume of small issues, rendering the market less liquid and, therefore, less attractive to investors. But the greater security of certificates of deposit and the continued wariness of investors about the vulnerability of banks could enable this sector to develop.

Volume in the fixed-coupon dollar market will no doubt also set a record by the time the year ends as the 10-month total is a mere $2.6 billion from matching the 1982 record of $26.7 billion. This is due in large measure to the apparently insatiable appetite for warrants, or options to buy other fixed-rate dollar paper.

Warrants appeal to speculators. And especially appealing is the long life — up to seven years in some cases — which far exceeds the maturity of interest-rate options that can be bought at lower cost in the futures market in New York or Chicago. Speculators reason that in the course of five or seven years, interest rates are bound to decline, and the high-coupon notes that the warrants can buy are bound to rise in value — causing the value of the warrants to soar.

The warrants also appeal to nondollar investors who find the high-coupons appealing but do not want to buy dollars now because it is too expensive on the foreign-exchange market.

In either case, warrant holders see the cash outlay of 3 to 4 percent of the purchase price of the underlying notes as a leveraged investment, perhaps doubling or tripling in value if interest rates ever plummet.

Based on figures running to mid-November, which shows straight Eurodollar bond volume of $25.4 billion, Salomon Brothers calculates that $7.4 billion — or 30 percent — was raised through issues bearing warrants.

For the issuers of debt-bearing warrants to buy other debt, the additional income generated from the sale of the warrants reduces the current cost of borrowing to rates that could not otherwise be matched.

The market for nondollar bonds has been traumatized by the dollar's strength on the foreign-exchange market and low interest rates. The yield on comparably dated bonds for similar credits currently shows a 4½ percentage advantage in dollar bonds over paper denominated in Deutsche marks.

Nevertheless, activity in the DM sector remains the second largest — accounting for 5.7 percent of overall activity during the first 10 months of the year, slightly below the 7.8-percent market share for all of last year.

Sterling denominated paper has jumped to third place with a 5-percent share of the market, up from 4 percent last year. Yields on sterling issues are virtually equal to those offered on dollar bonds and many investors believe that sterling is more likely to appreciate against the dollar than vice versa.

The ECU, which is a basket of EC currencies bearing a weighted average interest rate of the components, also is gaining in popularity — particularly with European investors in countries (Belgium, France, Italy) looking for a hedge against a depreciation of their home currency.

Starting in December, activity in the market for yen-denominated bonds should pick up considerably, due to an easing of issuing standards approved by the Japanese government.

A SPECIAL REPORT ON EUROMARKETS

Trading on floor of New York Stock Exchange.

Sygma

Euroyen: Waiting For Market Fallout

(Continued From Page 9)

market where bonds are "secured" by a bank administered-collateral system rather than rated. But at least one or two groups of banks and brokers now are competing to establish such a rating agency by next April. It is even possible that one of the respected U.S. agencies, Moody's or Standard and Poor. could be brought into a joint venture.

But there are a number of other reasons why the development of the Euroyen bond market will be watched cautiously from Tokyo — both by the regulators and by Japanese banks and brokers.

The first corporate Euroyen issues are likely to receive a warm welcome in the market, carrying coupons better than in the Samurai market. The question then is whether a Euroyen corporate issue will be able to command prices more favorable than those on Japanese long-term government bonds. The pecking order — with government bonds on top — is firmly established in Tokyo. The ground rules for Euroyen bonds, however, specifically prohibits guidelines on interest rates.

Foreign underwriters believe that top-rated corporate issues can and will break the government bond floor (currently a 6.8 coupon) in fairly short order. "Some investors prefer AAA corporate names to governments — even one like Japan," one U.S. underwriter said.

Japanese brokers are likely to be more conservative about pricing but probably will find it difficult to reach the delicate types of market consensus in the Euromarket that they can in Samurai issues at home. The next main concern is that the Euroyen bond market will expose them to genuine competition for slots in an underwriting group.

Unlike Samurai issues, Euroyen presents a protocol problem over who sits where on the lead-manager table. The first four or five will be lead managed by Japanese securities houses. But after that, foreign underwriters will not sit still for second place. One ingenious idea heard from a Japanese banker is to abide by an informal rule that each issue have three lead managers (even if called by different names). One Japanese broker, one Japanese bank and one foreigner. The order could vary, but bank participants could draw comfort (and fees) from such positions as trustee, principal paying agent, fiscal agent and such.

The fundamental question still posed to the Japanese government by liberalizing Euroyen is whether it is indeed good for Japan. The yen-dollar group agreed in May that the Euroyen market "would represent a significant contribution to the Japanese and world economies."

From the start, however, the U.S. Treasury and the Ministry of Finance were far apart in their approach to control over the yen and its markets. The Treasury "believes that the establishment of a completely free Euroyen market is the cornerstone of progress toward internationalization of the yen and, therefore, that Japan should approach the yen's internationalization from the Euroyen market," the yen-dollar report says.

The ministry retorts that too-rapid establishment of a free Euroyen market may adversely effect fiscal and monetary policy at home and that there is not a consensus on whether Euromarkets should play a major role in internationalizing one's currency.

The difference in philosophy was apparent again in November when the two sides held a first follow-up meeting to review progress since the yen-dollar report was presented. The Americans were apparently dissatisfied on a broad range of key issues.

U.S. Treasury officials, again led by Undersecretary Sprinkel, were especially critical of Japanese efforts so far to liberalize Euroyen markets and improve the access of foreign banks to such activities as trust banking in Japan. Mr. Sprinkel said that while "substantial progress" on some items had been made since the two sides announced the yen/dollar report, there are a number of "problem" areas where further progress is needed. He further said that some steps that were being taken by Japan precluded free competition in the Euromarkets and afforded "excessive protection" of Japanese financial institutions against foreign competition in Japan's markets.

Vice Minister Oba of the Finance Ministry said that his government will continue to seek the liberalization of domestic markets and the internationalization of the Japanese currency. He said pointedly, however, that the Japanese government could not take into consideration all the suggestions made by the Americans on how to carry on from now on.

Risk 'Immunization' Proof In Danish Eurodollar Issues

(Continued From Previous Page)
London clearing bank showed that the market would accept junior, subordinated paper, which the bank was permitted to count as part of its equity capital.

The $500-million issue was managed by Natwest's subsidiary, County Bank. The "perpetual" FRNs pay semi-annual interest at 0.375 points above 6-month interbank offered rates. Fees were 0.75 percent.

Texaco Capital NV floated a $1-billion, 10-year convertible at par bearing 11.875 percent in March through four regional syndicates coordinated by Credit Suisse First Boston. Aside from its record size, the issue was notable because it showed that the Eurobond market could handle a larger convertible offering than the domestic U.S. market could.

The offering was sensibly structured with a high enough coupon rate to fit into straight debt portfolios. The trade-off was a relatively high conversion premium of 28.62 percent. The offering was so successful that Texaco was able to raise a further $500 million with a similarly structured issue about a month later.

Dow Chemical was the first corporation to float a Euroyen issue. Previously, the Ministry of Finance in Tokyo allowed only governments and agencies to tap this market. However, it opened the market to high-grade corporations for issues being settled from December onward. American officials have argued, and Japanese officials have reluctantly agreed, that a broadening of the Euroyen market is needed to make the yen a more widely used inestment currency.

Managed by Nomura Securities Co., the 50-million-yen, 10-year Dow Chemical issue was priced at par bearing 7.0 percent.

Sweden Shuns Net Borrowing in 1985 To Concentrate on Servicing of Debt

By Juris Kaza

STOCKHOLM — Sweden will not do any new net borrowing on international markets in 1985 and will continue to seek opportunitites to cut the cost of servicing existing debt, according to Peter Engström, head of the international loans department of Sweden's National Debt Office.

"In very approximate terms, we have refinanced a quarter of the total government debt," Mr. Engström said. "The effect of this has been to reduce our interest-rate costs quite substantially." All the repaid and refinanced debt has been in dollar syndicated loans, some of which were considered "innovative" just a few years ago.

"In the last year or so, there has been $6.75 billion in syndicated bank credits that we have repaid and refinanced," Mr. Engström said. "You could say that we have reduced interest-rate margins by an average of two-thirds. A second result is that the hump in our repayments in 1987 and 1988 has disappeared and we have a smooth repayment curve."

In a current series of borrowings aimed at cutting costs and restructuring its debt, Sweden has once again been hailed as an innovator and credited with record low costs of borrowing. In late October, the kingdom — as Sweden is sometimes called on the market to distinguish it from other Swedish borrowers public and private — sold by tender a $500-million, 15-year floating rate note (FRN) issue, redeemable at par after five or ten years. It was said to set a new low for borrowing costs on the Euromarket.

A London market source ranked the latest FRN issue as among the three most impressive borrowings he had seen in the last six months, all done by Sweden. "In May, you had the $1.5-billion FRN in the U.S., the largest in the history of the U.S. capital market, the $750-million flip-flop [allowing lenders to switch back and forth between a higher-yielding 'perpertual' note and a lower yielding four-year note], and then the auction of FRNs," the banker said.

Mr. Engström routinely avoids making any definite predictions of what Sweden will do next on the market, but he hinted that the Debt Office was now geared up to manage issuing short-term notes, one of the options Sweden has under a $3-billion credit facility arranged during the summer.

"We will issue short-term notes, but I can't say when," he said. "We have expanded our staff a little bit, but it was not only for this aspect" of managing short-term notes.

Mr. Engström also said he thought the dollar deals by Sweden had overshadowed innovative borrowing in other currencies. "In Swiss francs, we did the first floater on the domestic market, and an extendable bond issue, with a total maturity of seven years, but renewable at three and one half," he said.

But what may be considered brilliant work by Sweden's Debt Office and its current bankers represents some kind of loss or defeat for the banks who suddenly find their great deals of yesteryear prepaid and who are not the favorites of Mr. Engström, whom some of the financial press has been calling "Mr. Sweden."

The changing role of the Swedish Debt Office, from a hot and hungry new entry a few years ago to a mature and powerful debt manager dispensing multibillion-dollar deals and multimillion-dollar fees to a banks, has created a few non-economic problems for the agency and Mr. Engström. None of this affects the bottom line of whether the Debt Office can deliver the best deals for Sweden. But observers say it is the inevitable result of the growing economic power wielded by Mr. Engström and the publicity generated by his activities. A recent article in Euromoney gave mixed reviews to Mr. Engström's personal relations with some bankers. One Nordic-connected London banker said Mr. Engström had "upset most people in London." He added, "The knives are out for Engström."

Even in Sweden, some sources say, Mr. Engström is envied for the aura of celebrity that has been cast around him. "You have got to remember, Sweden is a country where they stopped a weather service employee from presenting the TV weather reports when he became popular, because an ordinary civil servant is not supposed to become a celebrity," said a Swedish banker working abroad.

With his internationally celebrated deals, Mr. Engström also outshines Lars Kalderen, who is the head of the National Debt Office and his superior. Mr. Engström "may have been less than clever by not funneling some of this acclaim to his boss," said an official at a large Swedish bank.

"Peter Engström is a person perceived with feelings of suspicion from some banks," said another banker with roots in Scandinavia. "The guy is sophisticated as hell, and he is not affected by the usual banking song and dance. Then you have those who do not see how he, as a civil servant, can earn, say 200,000 kronor per year, and then deal with guys who make several times that on a single deal."

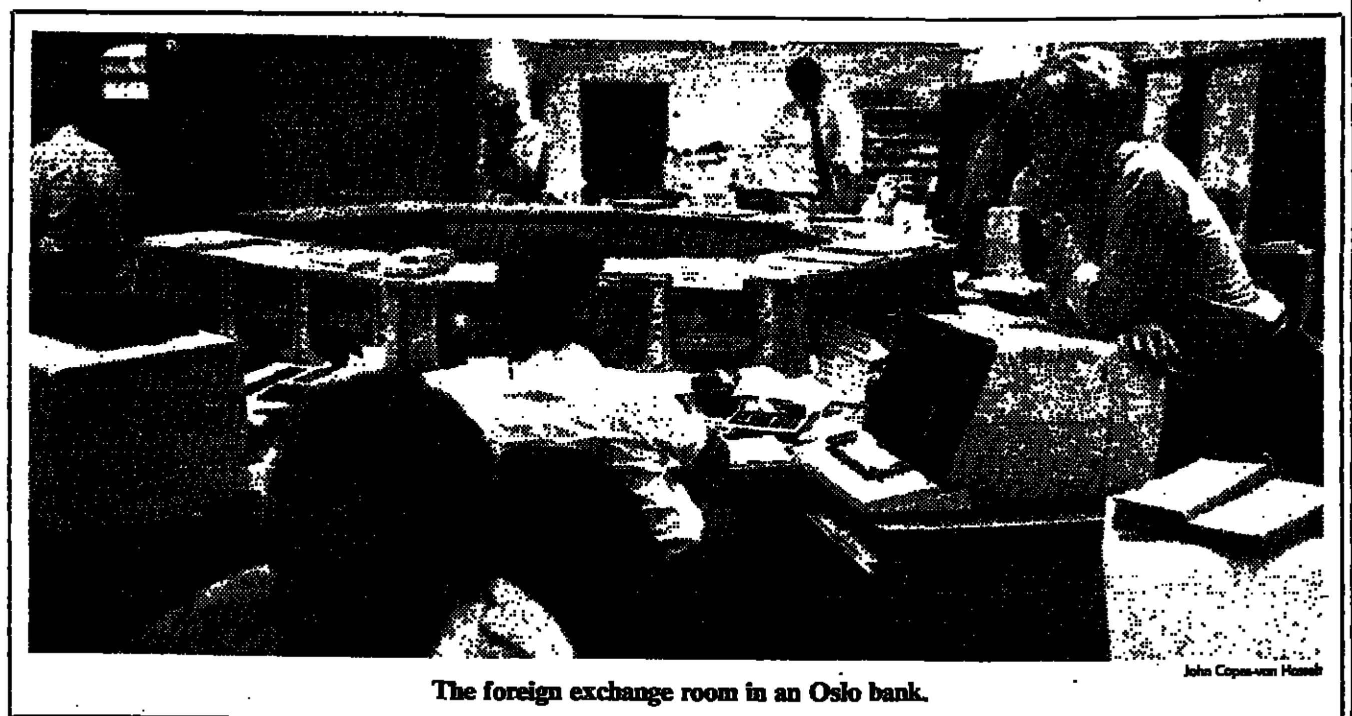
Mr. Engström takes the whole matter with a dose of the iciness that a few observers have held against him. "Our job is not to manage a portfolio of the equivalent of $15 billion in debt in 10 different currencies and to minimize the cost of carrying that debt; everyone working professionally in these markets realize that my job is to get the best deal for the country," he said. "The rest is just pretty silly verbiage."

With about 150 banks trying to get Mr. Engström's attention, it is understandable that more than a few inquiries and proposals are turned down, bruising some egos. Krister Wallin, an outgoing personality who was Mr. Engström's predecessor as Sweden's main international deal-maker, once said that he started keeping a file of the most preposterous ideas, but lost it somewhere in transition to his present career as head of a Swedish merchant bank.

The toughness of the Debt Office gets respect from bankers. "It took Kidder and myself five years to get in as a manager, and we did it because we earned it," says Bo Eneroth, a vice president at Kidder, Peabody International in London. Kidder, Peabody was among the managers of Sweden's 40-year dollar notes in early 1984 and the "perpetual" bond last summer.

The Swedish-born Mr. Eneroth said: "The National Debt Office under Engström has matured. They now know what it is all about. Once they went for quantity, the huge amounts, and now it is quality they are picking."

For the size of its portfolio, the international division of the National Debt Office is still a small operation, with fewer than 20 staffers under Mr. Engström. "We have a very lean staff," he said, "but we study and analyze a lot."



John Copes-van Hasselt

The foreign exchange room in an Oslo bank.

Warnings Over the Portuguese Requests

By Ken Pottinger

LISBON — In the last year, the Euromarket has reacted favorably to Portuguese requests for three major loans, as key bankers report continuing international confidence in the way the country's current financial difficulties are being managed.

But a recent clash between the government and the International Monetary Fund over the size of Portugal's public-sector debt has raised some cautionary warnings.

Lisbon's first approach to the market this year was in April when the Bank of Portugal, the central bank, launched a floating-rate note issue of $100 million, which was fully subscribed. Trading is proceeding at the negotiated one quarter over Libor, the London interbank offered rate, and the redemption period is eight years, with put options after five.

As a follow-on, central bankers then arranged a fixed-rate Swiss-franc loan in May of 150 million francs at 6.9 percent per annum for seven years and led by Morgan Guaranty.

This Swiss-franc loan was part of a new strategy to reduce Portugal's overweighted dollar commitments, which in earlier Euroborrowings have strained Lisbon's repayment and debt-servicing schedules because of the growing strength of the dollar.

Finally, in early August, Lisbon raised its annual Republic of Portugal loan in an operation described by international bankers here as "very professional."

Conditions attached to this syndicated $400-million loan were significantly better than those available for the smaller amount sought last year. This reflected not only improved international confidence but some adroit management by the central bank, which reserved the assignment of roles in the syndicate to itself, declining to appoint a lead manager for the deal.

The vice governor of the central bank, Vitor Constancio, said this gave the bank more room for maneuver and eliminated any appearances of favoritism.

He might have added, but did not, that the decision also had political importance. For the floating of the loan coincided with sensitive negotiations with a number of foreign banks eager to open up commercial branches in Portugal following the lifting of the ban here on private-sector banking.

The Republic of Portugal loan deal in August was struck at three-quarters above Libor for the first four years and seven-eighths above Libor on the remainder. It was arranged by a consortium of 28 banks and includes an ECU (European Currency Unit) tranche equivalent to about $100 million, another innovation for Lisbon, which has never before contracted a major debt in the currency unit of the European Community.

Mr. Constancio expressed satisfaction at the response of the Euromarket to Portugal's approaches this year and pointed out that the prime interest component attached to last year's syndicated republic loan had been omitted from this year's deal — a stamp of approval of Portugal's political stability and the IMF-imposed economic austerity that has marked life here since June 1983.

Outside the Euromarket, Portugal also raised two yen-based private loans valued at almost $100 million at long-term credit rates of 7.9 percent, in moves that signaled renewed Japanese banking interest in Portugal.

Despite its success in meeting its borrowing needs, Portugal still faces major problems with its public sector and its costly, unwieldy state bureaucracy.

The central bank this year has imposed tight controls on previous tendencies by large state concerns to approach the Euromarket whenever cash injections were needed. The controls are part of a policy of reducing the public-sector debt and keeping the balance-of-payments deficit within limits agreed with the IMF.

Previously, concerns like EDP, the national electricity company, Petrogal, the state oil company, and EPAC, the national grain monopoly, were raising external loans indiscriminately mainly to avoid the credit ceilings imposed by state-owned national banks.

Mr. Constancio said the Bank of Portugal has now clamped down and all foreign borrowings are centrally screened.

Next year, he said, the nationalized banks would be under greater government pressure to finance the public sector more generously and thus reduce dependence on foreign borrowings. Meanwhile, there are reports that the government will seek to reschedule some of the more onerous debts contracted by state-sector firms committed to be repaid in 1985 and 1986.

On a general level, the economy, though badly depressed, has a fundamental underlying strength and there are cautious signs of medium-term optimism.

The IMF is satisfied with Lisbon's performance in reducing the current-account deficit this year to $850 million, considerably below the predicted target of $1.25 billion. Servicing Portugal's debt in 1983 consumed 28 percent of the current receipts in the balance of payments, a figure that is expected to rise to about 30 percent this year but drop back again in 1985.

The increase this year is almost all due to the peaking effect of capital repayments on loans contracted in the mid-1970s, a factor that will not be present next year.

The government is currently debating its 1985 budget deficit, which is not expected to exceed $1.1 billion.

The external debt, which in 1983 was $14.4 billion, or 60 percent of the gross national product, is likely to rise to $15 billion this year, because the dollar value of the GNP has fallen with the continuing strengthening of the dollar.

Export Drive Buoys Spain's Economy

By Tom Burns

MADRID — As far as foreign borrowing was concerned things happened in Spain in 1984 that prompted the government's economic strategists to talk in terms not just of reaching a milestone but of attaining a veritable turning point. For the first time since 1979 the current-account balance was firmly in surplus.

For the last five years Spain's monetary authorities had been encouraging private utility companies, as well as instructing the public sector, to raise loans outside Spain in order to offset the payments deficit. This year has seen a spectacular change in attitude.

The message now is to raise loans on the domestic market where there is an almost embarrassing liquidity and to go to the foreign market principally to repay existing loans. A second theme is to diversify borrowing away from the syndicated bank loans that have been the norms in the last years and toward Eurobonds and floating-rate notes.

The upbeat approach to borrowing among Madrid's treasury officials owes a great deal to an extended belief that the international financial community is now completely cognizant of the fact that Spain's Socialist government is pursuing entirely orthodox monetarist policies. In its mid-term budget this year the government once more put the stress on cutting into the budget deficit and reducing inflation.

The likelihood is that by the end of the year the current-account surplus will stand at around $1.5 billion, which is a dramatic improvement on a $12.5-billion deficit at the end of last year. At the beginning of 1984 a current-account deficit — although a sharply reduced one — had been predicted.

The changed outlook has been the result of an extremely successful export drive. Spanish business has taken full advantage of the depreciation of the peseta against the dollar and of the recovery of the U.S. economy. Moreover, it has been forced to go abroad by the depressed state of Spain's domestic market. Spanish exports rose in the first eight months of 1984 by 26 percent in dollar terms to stand at $16 billion. Imports were 1 percent lower against January-August 1983, at $19.48 billion.

The trade deficit, according to the latest official figures, stood at $3.48 billion in August, which was half the gap accumulated in the first eight months of 1983, while the current account showed a surplus of $800 million. The current account moved into the black, on a cumulative basis, in July.

A second major factor acting on the external deficit has been a clear improvement in tourism receipts. In what has proved to be a record year for Spain's tourist industry, receipts for the first six months of 1984 were $3.1 billion, an increase of 9.6 percent over the corresponding period last year. In July, when the government revealed these figures, officials were revising their forecasts and predicting a year-end tourism receipts figure of $8 billion — $500 million up on the original estimates.

The combination of runaway exports, a depressed domestic consumption and a buoyant tourism sector has had an evident impact on Spain's reserves. By July, they stood at $14.67 billion, which was $3.44 billion, or 30 percent, up on the figure at the beginning of the year.

Officials stressed that the upturn was in sharp contrast to a $1.39-billion fall in reserves in the first seven months of 1983 and that the total in July this year was 46 percent higher than that of 12 months previously. The $14.67-billion figure was the highest since February 1982 — a full nine months before the present Socialist government won the national elections in a landslide.

A consequence of the increase in reserves has been a somewhat bulging domestic liquidity. The authorities have, therefore, been urging borrowers to absorb the liquidity by turning their attention increasingly toward peseta syndications instead of risking unfavorable exchange rates through new dollar debts.

Analysts reckoned that peseta borrowing would make up half the total of a $170-million credit brought to the market for the state holding company Instituto Nacional de Industria (INI) by Citicorp and Mitsubishi Bank. No analyst would have made such a prediction a year ago. In fact, the borrowers in Spain who did go to the Euromarket did so principally to refinance existing foreign debt. Otherwise, if they did not need to refinance, they could afford, as of mid-1984, to stand back and raise credit domestically.

According to Guillermo de la Dehesa, a senior official in the government economic team, "a large part of our going to the market, both publicly and privately, is to repay more costly foreign debt." The September 1984 government figures show that foreign borrowing has increased. The cumulative January-September total stood at $5.72 billion, against $3.74 billion for the corresponding period last year.

Mr. de la Dehesa stressed a second overall theme: the diversification of Spain's borrowing. There is a drive toward Eurobonds and floating-rate notes. Spain has tapped new markets such as the Samurai bonds (Madrid officials negotiating in Tokyo were delighted with a Triple A rating awarded to credits to Spain) and is preparing to go to others.

Part of Spain's foreign borrowing requirements are likely to be met for the first time next year in the British Bulldog bond market, and details are currently being finalized for a short-term borrowing rating on the U.S. commercial paper market. "We want to know where we stand for short loans," Mr. de la Dehesa said. A favorable rating on the U.S. market will prompt the Madrid authorities to request a rating for long-term borrowing.

Professor Felix Varela, a Madrid authority on foreign debt, concurred that the government's guidelines were sound. A keynote change this year has been that the central bank of Spain has facilitated loans to allow borrowers to repay external debt ahead of time whereas two years ago the monetary authorities were urging foreign loans. "The cost of foreign borrowing has cheapened considerably for Spain as it has for certain other countries," said Professor Varela. Rates are now lower and the spread is over 12 to 15 years, against eight to 10 at the beginning of the decade.

This has come at a particularly welcome time for Spain as it has allowed Spanish borrowers to refinance without hardship debts incurred at the end of the 1970s and the start of the present decade when there was a sharp upsurge in external borrowing. Payments on those loans will fall mostly in 1986-1988, and at present they are causing no concern.

A growing diversification and borrowing requirements similar to this year, above all to refinance, are expected to be the trends next year. As Mr. de la Dehesa put it, "It is necessary to be present on the market" — even though there is a domestic alternative due to the current surplus and high reserves figure.

John Copes-van Hasselt

Watching the board in the Copenhagen Stock Exchange.

Nordic Banks Look Offshore To Seek New Loan Business

By Michael Metcalfe

COPENHAGEN — As the contours of the Euromarkets have altered perceptibly with limits to the scope for expansion imposed on major Euromarket centers such as London and Luxembourg, banks from the Nordic region have come out of the background and into their own.

Flushed out of the confines of domestic credit regulations and often anachronistic banking constraints in their own countries, banks of Denmark, Norway, Sweden, Finland and Iceland have embarked on a new phase of expansion abroad.

However, as developments in London and Luxembourg have taken the opposite course in many aspects related to banking transactions, Nordic banks have felt compelled to tailor their corporate policies to suit the exigencies of the individual offshore center.

Whereas over the last two years the interesting feature of Nordic banks in London has been the trend away from joint participations in consortium ventures toward flying their own banners, in the case of Luxembourg, Nordic banks continue to go it alone.

While this is true on the surface and to the extent that the corporate structure of Nordic banks operating in Luxembourg remains the same, a subtle change has entered the picture.

Most Nordic countries during the 1970s prohibited domestic banks from extending foreign-currency loans to domestic companies. The banks set up Luxembourg units to book such loans. Now the rules have, by and large, been removed, compelling the Nordic banks' Luxembourg subsidiaries to look for other areas of business.

Changes in the structure of the Euromarket, and the move by the Luxembourg banking center at large away from an emphasis on wholesale banking toward greater diversification in private-customer and retail business, have helped the Nordic banks force the pace of their restructuring.

Of the five Nordic countries, Denmark has perhaps been the most active in restructuring bank*ing affiliates abroad to come to* terms with changing Euromarket conditions in the last 18 months.

"We are certainly taking our part, too, in expanding abroad; we think that's only fair," Hans Paaschburg, a managing director of Privatbanken, Denmark's oldest commercial bank, said in Copenhagen recently.

The bank's Luxembourg subsidiary, Privatbanken International (Denmark), has found it more compelling than before to focus much of its activity on serving a large group of Danish expatriates in Spain who live off their invested income.

Copenhagen Handelsbank has also seen fit to reappraise its presence in the other Euromarket center, London. Relinquishing its stake in the consortium venture Nordic Bank last year to Norway's Den norske Creditbank, it set up its own London branch with licensed deposit-taker status.

Another Danish bank, the savings institution Sparekassen SDS, earlier this year bought out the other shareholders in the London consortium London Interstate Bank, formed in 1971 with SDS, Götabanken of Sweden and two U.S. banks, Indiana National and Maryland National, as equal partners.

In Luxembourg, as their importance grew in line with rapid expansion in the Euromarkets, Nordic banks for the most part preferred to establish wholly owned subsidiaries rather than entering joint ventures.

As a group, the Nordic subsidiaries in Luxembourg have grown to 14, each carving out a special niche for itself in trade financing, medium-term loans for foreign projects, syndicated-loan financing on the Euromarkets and corporate transactions, almost all exclusively in terms of Nordic clients.

Their ranks, now second only to the big West German presence, are about to be swelled by a 15th Nordic bank in the Grand Duchy, a development that suggests that Luxembourg has yet to reach saturation level for these banks.

In January, the Norwegian commercial bank Fellesbanken A/S (Union Bank of Norway Ltd.) will set up its wholly owned subsidiary in Luxembourg.

The move serves to illustrate the trend away from joint ventures, which, though largely confined to London, has begun to gather steam in other Euromarket centers.

Before it decided to strike out alone, Union Bank of Norway was a shareholder in the Luxembourg-based joint-venture Banque Nordeurope SA, which offers Nordic and northern European clients a range of funding and lending not always associated with the more traditional Euromarket financing operations. It provides special services, such as sight and time deposits in all major Eurocurrencies, money-market and foreign-exchange transactions, medium-term loans and a variety of individual investment packages.

Union Bank of Norway's decision to sell its stake in Nordeurope leaves a number of Nordic and Central European banks as the principal shareholders, including banks from Denmark, Finland, Sweden, Austria, West Germany and France, an official for the Norwegian bank explained in Oslo.

The move is further complicated by the fact that Union Bank of Norway is in merger talks with the domestic savings bank Sparebanken Oslo Akershus, although such a merger should not affect the wholly owned subsidiary status of the Union Bank's Luxembourg venture, the official added.

If Nordic banks are diversifying their business away from the more traditional Euromarket channels and into other outlets, a good example of this trend is found in Christiana Bank Luxembourg's activities.

The Norwegian bank's Luxembourg subsidiary now offers European investors a full range of private-banking services, including Eurodeposits, foreign-exchange transactions, credits, securities, precious metals and portfolio management.

From its scant beginnings with two employees in 1973, Christiana has expanded its staff to 45 and its balance-sheet total to 51.6 billion Luxembourg francs at the end of August this year (compared with 40.6 billion francs at the same time last year), said the managing director, Anders Ingebrigtsen, in Luxembourg.

"It's been a good year for most of the Nordic banks here and we're reasonably satisfied with the level of our corporate client business, particularly with West Germany, Sweden and Denmark," he said.

Margins in the syndicated-loan market, a traditional mainstay of the Euromarkets, have remained pressed for much of the year and banks such as Christiana have preferred to concentrate their activities in other, more lucrative banking areas.

Gunnar Olsson, managing director of Skandinaviska Enskilda Banken (Luxembourg) SA, the Luxembourg subsidiary of the Swedish parent, broadly shares the view of his Norwegian colleague. "We must try and broaden our fields of activity, give fresh impetus to new ways of banking and to develop the customer deposit side of our business," Mr. Olsson said.

For banks such as Skandinaviska, Svenska Handelsbanken SA and other Luxembourg subsidiaries of Swedish banks, success lies in meeting the financing needs of Swedish companies.

This can take the form of participating in the issue of private placements, such as the recent placement of 250 million Luxembourg francs on behalf of Volvo, with Skandinaviska acting as co-leading manager, added Mr. Olsson. "It is of importance to be in that market," he said.

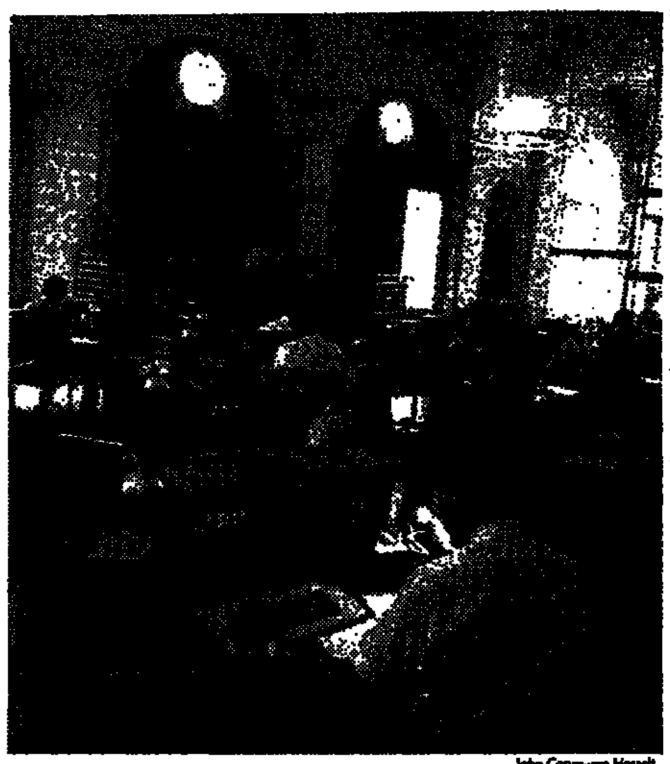
Such a market, though limited to between 12 and 13 issues a year, is prestigious from a portfolio management point of view and provides financial managers in large companies, such as Volvo and other Nordic corporations, with the right kind of currency mix to spread risk, Mr. Olsson noted.

He also stressed the emerging importance of the European Currency Unit (ECU), the European Community's composite currency, as a lending tool for use in private-banking and financing operations. "I'm sure we'll see more of these new issues in coming years, though some marketing and promotion work needs to be done on the ECU in Sweden," he added.

On the whole, however, portfolio management is not high on the list of priorities for the Swedish subsidiaries in Luxembourg, while labor-intensive, low-return private banking would prove too great a burden on profits, another Swedish banker said.

Finnish banks are also well repsented in Euromarket centers such as London and Luxembourg. Banks such as Kansallis-Osake-Pankki, which recently opened shop in London, and Union Bank of Finland Ltd. have subsidiaries primarily serving emerging Finnish corporate clients but also participating actively in the Eurobond markets.

Nordic banks, then, are well placed to reap the rewards from Euromarket centers in the coming years, once the period of reassessment and shakeouts gives way to a calmer phase of retrenchment and consolidation such as appears to be emerging at the end of 1984.



John Copes-van Hasselt

The Stockholm Stock Exchange.

Looking at Computer Systems to Speed Up Trading

By Amiel Kornel

PARIS — Eurobond dealers are warming up to the idea of creating an electronic international trading system similar to the one that has powered the massive increase in trading volume on NASDAQ, the U.S. over-the-counter stock market.

With computers and electronic information-delivery systems already an inevitable part of their working environment, dealers might turn to electronic trading to better master the burgeoning Euromarket.

"Yes, we have been looking at NASDAQ," said Roy Lambert, London-based manager of systems and information for the Association of International Bond Dealers (AIBD). "I have been to the U.S. and had a more than superficial look at the system. . . . Possibly, in a few years, we could see a NASDAQ-like system" for international Eurobond trading, he added.

A presentation by Gordon Macklin, president of the U.S. National Association of Securities Dealers, at a traders conference in Nice in May, generated new enthusiasm for the idea of computerized Eurobond trading, according to Mr. Lambert.

"There are very strong similarities between NASDAQ and the international bond markets," he said, adding that there is an "awareness" in AIBD that the NASDAQ system is "efficient and widely used".

No major technical or legal obstacles stand in the way of the creation of such a system. The necessary communications technology exists and the success of the 1,500-member Society for Worldwide Interbank Financial Telecommunication attests to the legal feasibility of cross-border trading.

Personal and financial issues, however, may prove to be more difficult to resolve. "Some people prefer the personal type of contact that the telephone offers," Mr. Lambert said.

"Present mechanisms are just fine," an English trader said. "The telephone and the human voice is a very effective communications vehicle."

Even if such holdouts can be convinced of the advantages of a computerized system, the question remains as to *who should manage and finance such a network. Financial* and political clout would be necessary to assure adequate support for the system and settle any need for arbitration that may arise. "Of course AIBD would be in a position to do that," Mr. Lambert said.

Meanwhile, as Eurobond dealers debate the necessity of an electronic international trading system, the increased computerization of the back office is becoming a reality.

"You either abandon the business or invest," said a banker who recently chose to do the latter. "It is impossible to do the trading volume we do without electronic systems," he said.

"In cost-effective terms it is becoming more essential," Mr. Lambert said.

Like other areas of office automation, the need for improved productivity and efficiency are the driving forces behind such moves. The objectives are to make better use of the information that Eurobond traders generate in-house, and, by interfacing the system with outside telecommunications networks, speed up communications that they now do separately via telex or telephone.

A steady flow of market information and news also is available to the trader. Reuters Ltd. and Datastream Ltd., both of Britain, sell services that provide traders with comprehensive and continuously updated information on video display screens at their desks.

And after the presumably well-informed deal has been made, the clearing and settlement of Eurobond trades is handled in most cases by computerized book transfer at centralized depositories. Euroclear and Cedel, the two international clearing houses, use high-powered computer centers to process their clients transactions. Both also offer communications links direct into dealers' trading rooms.

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p Trading

FUTURES AND OPTIONS

ghter Supplies of Sugar een Pushing Price Higher

By ELIZABETH M. FOWLER

New York Times Service

NEW YORK — In the eyes of a chartist, swings in world sugar prices look dramatic on paper — a record high of about 65 cents a pound back in 1974 and bump-along prices of about 5 cents a pound or so now.

it analysts say, world sugar production is expected to be less consumption for the first time in several years, thus tighten- the supply and, the producers hope, raising prices.

ennis C. Koutras, commodity research director at Drexel aham Lambert Inc., said the deficit will be about 1.5 million ric tons in the crop year that began Sept. 1.

We finally have a deficit year for sugar, the first since 1980- l, so I think that we will higher prices eventually ng this new crop year," he . But Mr. Koutras added there might be a tempo- dip in prices before any

> "I think that we will see higher prices eventually during this new crop year."

.O. Licht, the West Ger- a sugar statistical service, mated world sugar produc- for the 1984-1985 crop year at about 96.4 million tons, pared with consumption of 97.1 million tons, a deficit of ut 700,000 tons.

he July No. 11 world sugar contract closed at 5.84 cents a und on Friday on the Coffee, Sugar and Cocoa Exchange in w York. The contract has ranged from a low of 5.57 cents a und on Aug. 15 to 9.95 cents on March 16. Mr. Koutras says ces might rise to 7 or 8 cents a pound.

However, other factors might affect that, the main one being a ge surplus accumulated during earlier years. Another is the ather.

Mr. Koutras predicts that by next autumn world sugar stocks l be down to 39 percent of consumption, compared with a storically high" 41 percent a year ago, or 38 million tons next gust, down from 39.5 million tons in August 1984.

"At 25 percent we would have an equilibrium," he said. That uld mean a normal three-month supply of sugar that makes gar producers, users and speculators much more sensitive to rket opportunities.

ANOTHER commodity futures watcher, Prudential-Bache Securities Inc., also talks cautiously of higher prices. In a market letter, it noted that Asian nations, such as Thailand and the Philippines, are expected to export up to a million ns less sugar this crop year.

Last week the Commodity Research Bureau made this laconic, t much more pessimistic, remark about what it calls the erloaded world sugar market: "There still appears to be no aningful relief for the depressed world futures."

At Paine Webber Inc., Bernard Savaiko, senior analyst in the tures division, said: "It is cheap at a nickel a pound, and it uld easily tack on a penny, though that represents a large rise oportionally."

In addition to the supply overhang, the growing use of non- gar sweeteners, especially in the United States, is dampening vestor enthusiasm.

Still, many analysts agree that world sugar prices will rise. mes Dines, an investment analyst who has issued a new mmodity letter, said: "Sugar needs to be watched closely. If we re right about an inflation-hedge rally, then sugar should be ought on weakness."

Sugar ranks as a major export of many developing nations, cluding the Dominican Republic, the Philippines, India and uba. Although, economically, it makes little sense for many ountries to grow sugar, either beet or cane, they do. In the past 0 years or so, nations have encouraged sugar production hrough subsidies and other incentives as a defensive measure. They want to be sure they have a basic supply in case of war. There is also another reason — uncertain crops can play havoc with prices, such as the 65 cents a pound in 1974.

Some governments remember with chagrin that year, when the Soviet Union quietly entered the world market and began to buy sugar. By the time many nations realized that the Russians had suffered a serious crop failure, the price of world sugar had climbed to the stratosphere.

Harvester Sells Off Farm Unit

Tenneco to Pay $430 Million

The Associated Press

CHICAGO — International Harvester Co., struggling for four years without making a profit, announced Monday that it had agreed to sell its agricultural implement division to Tenneco Inc. for $430 million in cash and stock.

Under the agreement, Tenneco will pay $260 million in cash and $170 million in preference stock. The transaction is expected to be completed early next year.

Harvester's farm operations will be joined with Tenneco's J.I. Case Co. affiliate, headquartered in Racine, Wisconsin.

Tenneco is a Houston-based company with interests in gas, oil, insurance and manufacturing. It had $14.5 billion in sales in 1983.

Harvester, one of the pioneers in the mechanization of farmland, will now be a manufacturer of medium and heavy trucks.

Included in the sales agreement will be three Harvester operations in Illinois; one in Hamilton, Ontario; and one in Memphis, Tennessee; North American farm implement dealerships and a subsidiary in Britain.

Tenneco also agreed to acquire other Harvester agricultural operations in Germany, France and Denmark, subject to further study and negotiations.

"We are enthusiastic about our future with the strong team we've put together," said James L. Ketelsen, Tenneco's chairman and chief executive officer. "Case-Harvester will be poised to take maximum advantage of eventual improvement in business conditions."

Donald D. Lennox, Harvester's chairman and chief executive officer, said, "It was a very difficult decision to make, but it was the only decision possible if International Harvester was to continue its recovery."

[The company Monday elected Neil Springer, president of its truck group, as president and chief operating officer, effective immediately, Reuters reported from Chicago. He succeeds Jack A. Rutherford, who was elected vice-chairman and will oversee the transfer of the farm business to Case.]

Harvester has been struggling under a $4.1-billion debt package arranged to keep the company afloat. The company's last reported a profit in the fourth quarter of 1980.

Harvester had sold its construction business and hoped to maintain its farm implement and truck businesses. But, while truck sales turned up, the agricultural economy remained depressed.

The company posted a $7-million loss in the quarter ended July 31, compared with a record quarterly loss of more than $1 billion in the fourth quarter of 1982.

In 1979, Harvester had $7 billion in sales with earnings of $427 million. It employed 93,358 workers; now it has 32,000.

Arthur Andersen Embroiled in Suits

Litigation Rise Is Ascribed to 'Luck of Draw'

By Gary Klott

New York Times Service

NEW YORK — Every major accounting firm sporadically gets hit with multimillion-dollar lawsuits arising from audits they conducted on companies that later wound up in financial trouble. Shareholders and creditors of the company, hoping to recoup their losses, often hone in on the auditors, who tend to be the deepest pockets left in the financial rubble.

Sometimes the suits seem to come in waves, as they did in the 1970s for Peat Marwick, at the time the largest accounting firm in the United States. But these days, Arthur Andersen & Co. is the largest, and has been embroiled in a rash of multimillion-dollar lawsuits seemingly at once.

"As long as it's sporadic, it's part of life, but I think Arthur Andersen has crossed that threshold," said Richard L. Kaplan, a former Arthur Andersen accountant and now a University of Illinois law professor.

In the past two months, Arthur Andersen, which is based in Chicago, has agreed to more than $65 million in out-of-court settlements and it still faces a half dozen notable suits with claims running into the hundreds of millions of dollars.

This month, Arthur Andersen agreed to a more than $20-million settlement of a suit arising out of unauthorized bond trading losses at Marsh & McLennan Cos., an insurance-brokerage concern. Last month, Arthur Andersen agreed to pay more than $45 million to Chase Manhattan Corp., which lost money in dealings with the now-defunct Drysdale Government Securities Corp., an audit client of Andersen. A similar suit is pending against Andersen by Manufacturers Hanover Trust Co.

Duane R. Kullberg, chief executive of Arthur Andersen, attributes the surge in litigation to the "luck of the draw" and to the happenstance that "a lot came together all at once."

Whatever the causes, the huge settlements and damages being sought in the pending suits have raised concerns both for Arthur Andersen and the rest of the industry.

Andersen is well regarded within the accountants' ranks, and many in the profession say they are surprised by the number of suits that have come to the fore for Andersen. And in contrast to Peat Marwick, which grew largely through mergers, Andersen did not face the quality control problems that can accompany the assimilation of local practices. On the contrary, Andersen grew almost solely through inbreeding.

Kent St. Pierre, an accounting professor at James Madison University, believes the way Arthur Andersen grew to become No. 1 may provide a clue about why the firm is facing so many high-profile suits.

The key may lie, he believes, in the aggressive way Anderson expanded its client base — by taking on new technology concerns and companies that have recently gone public. He says those are the companies that may turn out to be high-flyers and provide increasing fees for the audit firm as they grow, but they also run the greatest risk of crashing.

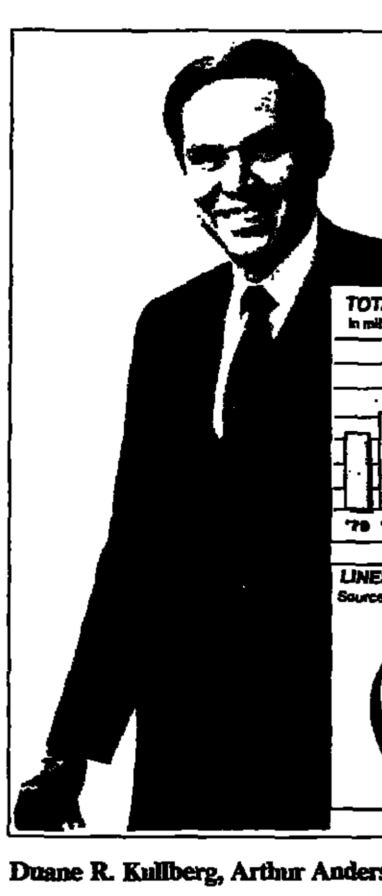
Whatever the reason, the suits pose a costly burden to Arthur Andersen and others.

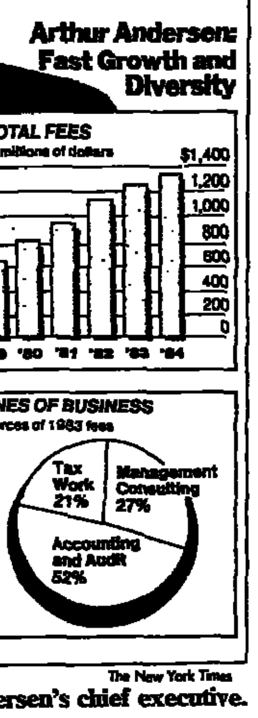
"They face a staggering magnitude of monetary risk," said R. James Gormley, a Chicago attorney who has written widely on the subject of auditors' liability.

The financial shock of large settlements is well cushioned by insurance. Officials refuse to discuss specifics, but according to a number of sources within the profession, coverage can run up to $200 million.

Insurance is not a complete buffer; deductibles are said to run between $1 million and $5 million a case.

And in the end, the partners are financially liable if lawsuits run past the insurance limits. Each partner is required to contribute substantial amounts to (Continued on Page 19, Col. 3)





The New York Times

Duane R. Kullberg, Arthur Andersen's chief executive.

Big U.S. Banks Cut the Prime Rate to 11½%

The Associated Press

NEW YORK — Several major money-center and regional banks reduced their prime lending rates by ¼ percent point to 11½ percent on Monday, the fifth cut in two months in the benchmark charge for business loans.

The prime rate was last that low in April.

A prime rate cut had been widely expected, but some economists said they had thought the banks would make a larger reduction.

"What surprises me is that the reductions have been coming so slowly," said Arnold Moskowitz, economist for the investment firm Dean Witter Reynolds Inc.

He said the rates that banks must pay to attract funds have fallen enough in recent weeks to support a prime rate of about 10½ percent.

Citibank, the second-largest bank in the United States, was the first major bank to reduce its prime rate in the latest round of cuts. The reduction was quickly matched by First National Bank of Chicago and later by Mellon Bank of Pittsburgh.

The reason a reduction had been expected was that other money-market interest rates have been falling.

The federal funds rate has been between 9 percent and 10 percent since early November. Rates on six-month certificates of deposit have been 9½ percent or lower for much of November, down from an average rate of more than 10 percent in October.

In addition, the Federal Reserve Board last week reduced its discount rate to 8½ percent from 9 percent, citing slow growth in money supply, a "distinct moderation" in the pace of business expansion, price stability, wage restraint and the continued strength of the dollar.

Elliott Platt, director of research at the investment firm of Donaldson, Lufkin & Jenrette, said one reason for the reluctance of banks to go further might stem from concern that loan demand would pick up during the Christmas shopping season.

The banks say privately that before they make a very visible adjustment in the prime rate, they want to be sure a decline in the general level of interest rates is not simply an aberration.

"They say they don't want to have to reverse themselves," Dean Witter's Mr. Moskowitz said. "But that's just a smokescreen for the fact that they stand to make money by keeping their rates high."

Reductions in the prime rate are welcomed by Third World nations, which have borrowed heavily from U.S. banks.

Mr. Moskowitz said Latin American nations alone owe about $300 billion with interest rates on about half of that amount linked to the U.S. prime rate. A decline of a full percentage point in the prime rate, he said, could save those nations about $100 million a month in interest costs.

Major banks began lowering their prime rates on Sept. 27, when they cut the charge to 12¾ percent from 13 percent, which had held since late June.

■ **Cut Called Small**

Monday's cut in the prime rate was smaller and came much later than declines in other rates would suggest is appropriate, economists said, Reuters reported from New York.

"Since October, we've seen a dramatic decline in money market rates and a much smaller decline in the prime lending rate," said Larry Leuzzi, economist at E.F. Hutton.

Economists said that even though the drop in the prime rate over the past two months has been significant, banks' cost of funds has declined even more sharply.

For instance, the cost of three-month domestic bank certificates of deposit has fallen over 200 basis points since the end of September to 8.85 percent now. A basis point is one-hundredth of a percentage point.

Banks have usually maintained a spread of about 125 basis points between their own cost of funds as measured by three-month certificate of deposit rates and the prime rate, Mr. Leuzzi said. Existing spreads are between 200 and 275 basis points.

EC Joblessness Climbed to 11% During October

The Associated Press

BRUSSELS — Unemployment in the European Community rose to 11 percent of the labor force in October from 10.9 percent the previous month, the EC statistics office said Monday.

The number of people registered as unemployed in the 10 member countries jumped by 127,000 to approximately 12.8 million, the report said. Since June, the number of jobless people has risen by nearly 800,000.

The highest unemployment rate continued to be in Ireland, at 16.6 percent, up from 16.5 percent in September. In Greece, the rate is 1.6 percent rate, the lowest, although it was up from 1.3 percent in September.

The figures published by the EC's Eurostat office are based on the official unemployment statistics provided by the national governments, except Greece. Eurostat makes its own estimate of the Greek unemployment rate because of differences in calculating methods.

Without the estimated Greek figures, the EC unemployment rate for October would be 11.4 percent, up from 11.3 percent the month before.

CBI Sees Quicker Growth in U.K.

Reuters

LONDON — The Confederation of British Industry, the employers' organization, said Monday it expects an acceleration of economic growth and modest inflation next year, but continued high unemployment.

The CBI's monthly economic report forecasts a 3¼-percent rise in gross domestic product next year, after a 2½-percent increase this year. GDP measures the total value of goods and services, excluding income from foreign investments.

However, unemployment will remain at about three million over the next one and a half years, as the rise in the labor force offsets the increase in new jobs, the group said.

It said inflation will remain modest next year, perhaps only rising slightly from the present 5-percent level.

According to the report, the current account balance of payments will register a small surplus of about £300 million ($360 million) in 1985, after a deficit this year of some £500 million. The current account measures trade in goods and services as well as interest, dividends and certain transfers.

By contrast, the Treasury is forecasting a 1985 surplus of £2.5 billion after a current account in balance this year. It sees GDP growth of 3½ percent next year after this year's 2½-percent rise, and inflation falling to 4½ percent by the end of 1985 from 4¾ percent at end of this year.

The CBI said investment, especially in manufacturing, and exports should continue to fuel expansion in 1985, buttressed by consumer spending and modest stockbuilding.

The latest monthly survey by the CBI of 1,584 manufacturing companies shows they expect higher output and prices over the next four months. Twenty eight percent of respondents see higher output, 14 percent lower output, while the rest forecast little change.

Currency Rates

Late interbank rates on Nov. 26 , excluding fees.
Official fixings for Amsterdam, Brussels, Frankfurt, Milan, Paris. New York rates at P.M. EDT.

	$	£	D.M.	F.F.	H.L.	Gldr.	B.F.	S.F.	Yen
msterdam	3.45	4.15	112.78 *	36.82 *	0.1819	—	5.605 *	136.92 *	140.33 y
russels(a)	61.59	74.035	20.1275	6.57	3.2495 *	17.855	—	24.45	25.049 *
rankfurt	3.0547	3.679	—	32.64 *	1.614 x	88.67 *	4.972 *	121.35 *	1.2445 *
ondon (b)	1.202	—	3.6736	11.2561	2,277.74	4.1427	73.97	3.0306	295.51
Milan	1,895.10	2,279.75	619.60	202.34	—	549.66	30.80	751.65	7.702
New York (c)	—	1.202	3.061	9.3675	N.A. *	3.441	N.A.	2.525	246.075
Paris	9.3725	11.28	306.44 *	—	4.945 x	271.65 *	15.221 *	372.05 *	3.815 *
Tokyo	245.575	297.96	80.39	26.39	13.07 *	71.76	402.04 *	98.10	—
urich	2.5213	3.0198	82.395 *	26.995 *	0.133	73.045 *	4.0916 *	—	1.0243 *
ECU	0.73	0.6063	2.229	6.8309	1,381.70	2.5145	44.8873	1.8380	179.359
SDR	0.993638	0.82501	3.03527	N.A.	1,883.49	3.4281	61.1783	2.5017	244.236

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.8536	Australian $	1.1715	1.016	Irish £	0.9843	0.4619	Singapore $	2.165
0.0465	Austrian schilling	21.525	0.0018	Israeli shekel	558.95	0.55	S. African rand	1.8182
0.0162	Belgian fin. franc	61.755	3.3058	Kuwaiti dinar	0.3025	0.0012	S. Korean won	821.35
0.7579	Canadian $	1.3195	0.4151	Malay. ringgit	2.409	0.0058	Span. peseta	171.40
0.0906	Danish krone	11.04	0.1125	Norw. krone	8.8875	0.1144	Swed. krona	8.7395
0.1566	Finnish mark	6.3875	0.05	Phil. peso	20.002	0.0253	Taiwan $	39.45
0.008	Greek drachma	125.50	0.0061	Port. escudo	163.18	0.037	Thai baht	26.995
0.1277	Hong Kong $	7.828	0.2808	Saudi riyal	3.561	0.2723	U.A.E. dirham	3.6725

£ Sterling: 1.1833 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000
N.Q.: not quoted; N.A.: not available.

Interest Rates

Eurocurrency Deposits

Nov. 26

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
1M.	8 13/16 - 8 15/16	5 1/16 - 5 3/16	4 3/4 - 4 7/8	9 9/16 - 9 11/16	10 9/16 - 10 13/16	9 1/4 - 9 3/8	8 - 8 1/4
2M.	9 - 9 1/8	5 1/16 - 5 3/16	5 - 5 1/8	9 13/16 - 9 15/16	11 1/8 - 11 1/4	9 3/8 - 9 1/2	8 1/4 - 8 1/2
3M.	9 1/16 - 9 3/16	5 1/8 - 5 1/4	5 1/16 - 5 3/16	9 3/4 - 9 7/8	11 1/4 - 11 3/8	9 1/2 - 9 5/8	8 3/8 - 8 5/8
6M.	9 1/2 - 9 5/8	5 3/8 - 5 1/2	5 - 5 1/8	9 7/8 - 10	11 1/2 - 11 5/8	9 5/8 - 9 3/4	8 1/2 - 8 3/4
1Y.	10 1/16 - 10 3/16	5 3/4 - 5 7/8	4 15/16 - 5 1/16	10 - 10 1/8	12 1/4 - 12 1/2	9 7/8 - 10	8 7/8 - 9 1/8

Rates applicable to interbank deposits of $1 million minimum (or equivalent).

Asian Dollar Rates

Nov. 26

1 mo.	2 mos.	3 mos.	6 mos.	1 year
8 13/16 - 8 15/16	9 1/16 - 9 3/16	9 1/16 - 9 3/16	9 1/2 - 9 5/8	10 1/16 - 10 3/16

Key Money Rates

United States	Close	Prev.
Discount Rate	8½	8½
Federal Funds	9¼	9¼
Prime Rate	11½	11¾
Broker Loan Rate	10-¾	10½-¾
Comm. Paper, 30-179 days	8.75	8.75
3-month Treasury Bills	8.42	8.44
6-month Treasury Bills	8.44	8.41
CD's 30-59 days	8.75	8.78
CD's 60-89 days	8.85	8.92
West Germany		
Lombard Rate	5.50	5.50
Overnight Rate	5.45	5.45
One Month Interbank	5.55	5.55
3-month Interbank	5.85	5.85
6-month Interbank	5.85	5.85
France		
Intervention Rate	11	11
Call Money	10¾	11
One-month Interbank	10 13/16	10¾
3-month Interbank	10¾	11¼
6-month Interbank	10½	11⅛

Britain	Close	Prev.
Bank Base Rate	9½	9½
Call Money	10½	10½
91-day Treasury Bill	9⅝	9⅝
3-month Interbank	9 13/16	9 13/16
Japan		
Discount Rate	5	5
Call Money	6¼	6 3/16
60-day Interbank	6½	6½

Sources: Commerzbank, Bank of Tokyo, Lloyds Bank.

Gold Prices

	A.M.	P.M.	Ch'ge
Hong Kong	339.60	339.65	— 2.45
Luxembourg	339.20	—	— 2.55
Paris (12.5 kilo)	339.04	338.49	— 3.71
Zurich	340.05	336.75	— 5.00
London	339.50	336.90	— 4.60
New York	—	331.20	— 8.80

Official fixings for London, Paris and Luxembourg, opening and closing prices for Hong Kong and Zurich, New York Comex current contract. All prices in U.S.$ per ounce.

Dollar Stages Sharp Gains In Europe

The Associated Press

LONDON — The U.S. dollar rose sharply against all major currencies in European trading Monday and the British pound plunged to near a record low.

Dealers said commercial demand for dollars rose as companies tried to balance their books for the end of the year and the month.

The pound was depressed to below the $1.20 level for the first time in a month, falling on renewed fears of sliding oil prices and the likelihood that buyers of shares in British Telecom, the state-owned telecommunications company about to go private, will sell their stock quickly.

In London, the pound closed at 1.202, down from 1.218 Friday.

The dollar ended at 3.0547 Deutsche marks in Frankfurt, sharply higher from 3.014 DM previously. A Frankfurt dealer said: "We expect the dollar to continue to be firm despite lower interest rates."

The U.S. unit also staged a sharp increase against the French franc, ending in Paris at 9.3725 francs, up from 9.248 francs on Friday. In Tokyo, the dollar finished trading at 245.575 yen, up from 244.725 yen on Thursday. The Tokyo market was closed Friday.

■ **Stable Dollar Seen**

Lynne Curry of the International Herald Tribune reported from London:

The former West German economics minister, Otto Lamsdorff, believes the upward spiral of the dollar will level off.

"I expect a relatively stable U.S. dollar for quite some time to come," he said at a conference sponsored by the International Herald Tribune in London.

High U.S. interest rates are one of the reasons for the strong dollar, Mr. Lambsdorff said.

U.S. Economist Dismisses Recession

Alice Rivlin Sees Return to Healthy Growth of 3-4%

By Hobart Rowen

Washington Post Service

WASHINGTON — The Brookings Institution's research director, Alice M. Rivlin, said Monday that despite a lot of viewing with alarm, "there are no signs" of a recession in the U.S. economy.

She predicted a return to slower, and healthier, growth of 3 to 4 percent in real gross national product, the total value of a nation's output of goods and services, next year.

"That's what we all want," she said, "and that is not a disaster scenario."

But Mrs. Rivlin, formerly director of the Congressional Budget Office, said that "paradoxically," the slowdown will be taken by some as an excuse to delay action to reduce the budget deficit. She called this the most serious challenge to the country.

Mrs. Rivlin said, "The usual signs of a boom coming to an end are prices rising, interest rates rising, the economy bumping up against capacity, labor shortages — we haven't had any of that."

She added that if this is the beginning of a recession, "it will be a very unusual event in economic history."

"It would be the first time that I can think of that you had a strong recovery for no apparent reason going into recession when nobody thought it would," she said.

To cope with the projected series of $200-billion annual deficits, she said, "all methods," including a tax increase and a spending freeze, would be necessary.

"This is a situation that just cries out for presidential leadership," Mrs. Rivlin said. She said it would be difficult for Congress to deal with the deficit without a strong hand from the White House.

Many economists have recently expressed concern that the drop in the growth rate of GNP to 1.9 percent in the third quarter, from 7.1 percent in the second quarter, presages a recession in 1985.

Administration officials, who had predicted a 4-percent growth rate for the fourth quarter, have cut back their estimates. Some have acknowledged privately that figures for the final months of the year could be flat, or even slightly down.

But Mrs. Rivlin said she thinks that the current phase is "a transition" from hyperactivity in the first half, which averaged 8.5 percent real growth, to a more typical pace.

"On the economy, I'd like to say a word in defense of slowing down," she said. "There is such a lot of viewing with alarm of the third-quarter statistics that it might be useful to remind ourselves that if the slow-down is, as I think, just a transition to a slower-growth economy next year, in the range of 3 to 4 percent, that's basically what we all wanted. That is not a disaster scenario."

Mrs. Rivlin said she wouldn't change her forecast even if there is further slippage in the fourth quarter GNP. She said that this is likely.

It would take "a couple of more quarters" to convince her that a recession was at hand, "and by that time, the Fed would be trying to turn it around, probably successfully," she said.

Monday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street

(Continued from Page 8)

[illegible]

U.S. Futures Nov. 26

Grains

[illegible]

Livestock

[illegible]

Food

[illegible]

Metals

[illegible]

Financial

[illegible]

London Commodities Nov. 26

Figures in sterling per metric ton. Gasoil in U.S. dollars per metric ton. Gold in U.S. dollars per ounce.

[illegible]

Paris Commodities Nov. 26

Sugar in French Francs per metric ton. Other figures in Francs per 100 kg.

[illegible]

Asian Commodities Nov. 26

[illegible]

SINGAPORE RUBBER
Singapore cents per kilo

	Close Bid	Close Ask	Previous Bid	Previous Ask
RSS 1 Dec	170.50	170.75	172.25	172.50
RSS 1 Jan	173.00	173.50	174.50	174.75
RSS 2 Dec	161.50	162.50	163.00	164.00
RSS 3 Dec	159.50	160.50	161.00	162.00
RSS 4 Dec	152.50	154.50	154.00	156.00
RSS 5 Dec	144.50	146.50	146.00	148.00

KUALA LUMPUR PALM OIL
Malaysian ringgits per 25 tons

	Close Bid	Close Ask	Previous Bid	Previous Ask
Dec	1,200	1,260	1,210	1,250
Jan	1,210	1,250	1,220	1,240
Feb	1,200	1,250	1,210	1,240
Mar	1,190	1,240	1,200	1,240
Apl	1,180	1,220	1,190	1,230
May	1,170	1,210	1,180	1,220
Jly	1,160	1,200	1,170	1,210
Sep	1,160	1,200	1,170	1,210
Nov	1,150	1,200	1,160	1,200

Volume: 0 lots of 25 tons.

S&P 100 Index Options Nov. 23

Chicago Board

Strike						
160	7¼	8¾	9¾	¾	1⅜	2
165	3⅝	5¼	6⅝	2⅛	3	3⅞
170	1¼	2¾	3⅞	5⅛	5⅝	6¾
175	5/16	1¼	2⅛	10	11¼	10¼
180	⅛	9/16	1 1/16	—	—	—

Total call volume 149,679
Total call open int. 414,375
Total put volume 75,934
Total put open int. 220,898
Index:
High 165.36 Low 162.73 Close 165.35 + 2.62

London Metals Nov. 26

Figures in sterling per metric ton. Silver in pence per troy ounce.

3 months	9,769.00	9,770.00	9,725.00	9,730.00
Lead: spot	363.00	365.00	362.50	363.50
3 months	346.00	347.00	346.50	347.00
Zinc: spot	640.00	642.00	637.00	637.50
3 months	643.00	644.00	640.00	640.50
Silver: spot	621.00	622.00	616.50	617.50
3 months	636.00	637.00	631.00	631.50
Aluminium: spot	950.00	951.00	927.50	928.50
3 months	974.50	975.00	950.50	951.00
Nickel: spot	3,945.00	3,950.00	3,870.00	3,880.00
3 months	4,030.00	4,032.00	3,955.00	3,960.00

Floating Rate Notes Nov. 26

Dollar

Issuer/Mla cpn/Mat.	Coupon	Next	Bid	Askd
Allied Irish 5¼-95	12⅞	10-12	99.50	99.60
Allied Irish 5¼-92	11⅝	17-4	100.55	100.65
Allied Irish 5¼-87	13⅛	7-1	100.46	100.56
Arab Bkg Corp 5¼-96	12¾	18-3	99.43	100.83
Atlantic Fin Intl -94	10½	28-2	99.65	99.85
Bco Naz Lavoro 5¼ 91	10⅝	26-4	100.04	100.14
Banco Pinto 6¼-85	10½	20-5	99.25	100.50
Bk Of Greece -91/94	11⅝	18-1	98.20	99.35
Bk Of Ireland 5¼-89	12¼	28-11	100.20	100.35
Bk Of Ireland 5¼-92	13	25-1	99.75	100.25
Bl Montreal 5¼-90	12½	20-12	100.43	100.53
Bk Of Montreal 5-96	10¼	28-1	100.06	100.16
Bk Of Montreal 5¼-91	10⅞	30-4	100.58	100.68
Bk Of New York -96	11⅝	14-1	99.93	100.03
Bk Of Nova Scotia 5¼-88/93	10⅞	30-4	100.65	100.75
Bk Of Nova Scotia 5¼-94	13⅜	11-1	101.00	101.10
Bk Of Tokyo 5½-93	11	24-4	100.70	100.90
Bk Of Tokyo 5¼-89	10⅝	29-1	100.36	100.46
Bk Of Tokyo -87	12⅝	28-1	100.58	100.68
Bk Of Tokyo 5¼-feb88/91	12⅝	6-2	101.11	101.21
Bk Of Tokyo 5¼-dec88-91	12½	12-12	100.38	100.48
Bk America 5¼-96	11⅝	28-12	100.05	100.15

[illegible]

Non Dollar

[illegible]

Prices supplied by Credit Suisse-First Boston Ltd., London

To Our Readers

The Deutsche mark futures options were not available in this edition because of transmission delays.

4% Price Rise Seen for U.K.

Reuters

LONDON — Retail prices in Britain should rise by just over 4 percent in 1985, Midland Bank PLC said Monday in its winter review. The Treasury has predicted an inflation rate of 4.75 percent by the end of this year, falling to 4.5 percent by the end of 1985.

Nuclear Company Isn't For Sale, Britain Says

Reuters

LONDON — Britain has no present plans to denationalize British Nuclear Fuels Ltd., an Energy Department spokesman said Monday.

The spokesman responded Sunday to a story in The Observer newspaper quoting the company chairman, Con Allday, as saying the company is likely to be denationalized within the next 18 months.

Hang Seng Soars 17.92 to Close At 7-Month High

Reuters

HONG KONG — The Hang Seng index rose 17.92 points Monday to close at a seven-month high of 1,113.96, following a half-point cut in Hong Kong interest rates.

This is the highest closing for the stock exchange index since April 19, when it climbed 25.65 points to close at 1,115.85, brokers said.

They also cited rumors that a consortium of U.S. and British companies, led by the London based merchant banker, N.M. Rothschild, is negotiating to acquire a stake in Jardine, Matheson & Co. Spokesmen for the companies were not available for comment.

Some stock exchange analysts predicted that the Hang Seng index is on an uptrend and would test the 1,150- and 1,170-level.

[illegible]

Chemical Firms Are Fined by EC

The Associated Press

BRUSSELS — The European Community's executive Commission Monday said it fined five chemical companies a total of $6.7 million for conspiring to fix prices and supplies of three products over 19 years.

The fine was the largest penalty for alleged anti-competitive behavior in EC history. The companies are Solvay & Cie. of Belgium, Degussa AG of West Germany, Laporte Industries (Holdings) PLC of Britain, and L'Air Liquide and ATO Chimie SA of France.

The companies were accused of participating in a market-sharing agreement, covering the major part of the EC, that included a series of detailed "national" agreements by which the companies carved up national markets in agreed percentage shares. The chemicals involved are hydrogen peroxide, sodium perborate and persulphates.

Chinese Grapple With Uncertainties of Economic Reforms

By Jim Mann
Los Angeles Times Service

BEIJING — On a cold, gray Saturday morning early this month, just as the doors opened at one of Beijing's largest department stores, Zhang Jizhang rushed in and headed for the appliance section.

A crowd of about 50 men and women had already gathered there, and a clerk told them that there would be no washing machines available that day, and only a couple of refrigerators, both slightly damaged.

Mrs. Zhang, a young, newly married schoolteacher, pushed through the crowd and bought one of the refrigerators. Because it was scratched and dented, the price had been cut to 885 yuan from 890 yuan — or to about $328 from about $330.

"I've been trying to get one for about a week," she said. "I think you have to spend the money you have. There is no point in saving it."

In Beijing and Shanghai and other Chinese cities, millions of people are doing the same thing.

This is a time of economic uncertainty in China. On Oct. 20, the Central Committee of the Communist Party announced a program of economic reforms. It has spelled out the general direction that the program is to take, but it has disclosed few details.

The regime has pledged to remove price controls on a variety of goods and to increase workers' wages. But most Chinese have no idea how much prices will go up, or when, or how much wages will be increased, or how.

For now, it seems clear that the reforms will have a great influence on the national economy, but determining the effect on the individual is another matter.

Because of the uncertainty, Chinese people have been pouring money into durable goods — washing machines, TV sets, refrigerators — most of which are in short supply.

Chinese sources say there have been heavy withdrawals from personal bank accounts in Beijing and Shanghai over the last few weeks. Because of the fear that prices will go up across the board, people have been using their savings to buy whatever they can find.

"My friends all tell me I should put my savings into something tangible," one Beijing resident said. "I'm thinking about it, if I can find the things I want to buy."

The black market in foreign-exchange certificates, which can be used to buy refrigerators, washing machines and other durable goods, has picked up since the economic reforms were announced.

These certificates are issued to foreigners, who generally do not deal in Chinese currency. They are highly valued, because they can be used to shop in special stores set aside for foreigners and privileged Chinese. The range of merchandise in these stores is often greater than in other stores.

On the streets of Chinese cities these days, foreigners are regularly stopped or followed into stores by Chinese asking to exchange currency for foreign-exchange certificates. Such transactions are illegal.

The anxiety over price increases and the demand for durable goods have been so great that government officials have been forced to take countermeasures. Early in November, for example, the government announced that it would not tolerate any arbitrary price increases by people trying to take advantage of the economic reform program.

In an article in the Communist Party newspaper, People's Daily, the regime said excessive price increases would "make a mess of the socialist market and harm the interests of the state and consumers."

The State Pricing Bureau has given public assurances that there will be no increase at all in the prices of durable goods. A spokesman for the bureau said the prices of these relatively expensive items can be expected to come down as production increases.

In an effort to ease concern over shortages, government officials have said stores may begin to accept orders for purchases. While advance orders are commonplace in the West, they have until now been a rarity in China.

Like individual Chinese, large industrial enterprises and smaller private businesses appear uncertain about how the reforms will affect their operations.

How much more will they have to pay for raw materials? How much will they be able to raise prices for finished products? How much more will they be required to pay their workers? How much leeway will they have to fire or transfer workers? If these questions have been resolved, the answers have not been made public.

After meeting with leaders of industrial enterprises in a series of seminars on foreign investment, former U.S. Secretary of State Cyrus R. Vance said he had concluded that "there will be a period of some confusion" in the early stages of the reform program.

"I think it's too early to say what the concrete results will be," Mr. Vance said. "These reforms are complicated and complex, and it will take time to develop concrete guidelines."

Along with other U.S. lawyers and business executives who took part in these seminars, Mr. Vance said Chinese executives seemed enthusiastic about the reforms, which reduce the role of centralized state planning and give them far greater leeway to run their enterprises as they see fit.

"Chinese businessmen were suddenly coming out of the walls to talk to American businessmen," said one U.S. executive who asked that he not be identified. "The Oct. 20 reforms were a kind of liberation for them. I've never heard Chinese talk so pragmatically about things like incentive systems and the need for foreign investment."

Since the Oct. 20 announcement, prices have gone up on a few edibles and other consumer items. But Western analysts here expect a broader series of price increases at the beginning of next year, timed to coincide with wage increases.

"To make it work, they've got to have the wage increases at the same time prices go up," a diplomat here said.

At a meeting with Mr. Vance and the other visiting Americans, Prime Minister Zhao Ziyang reportedly said the price changes will be greatest in the fields of energy and raw materials. Economic analysts have long complained that China has kept the price of coal at a level far below its real cost.

AP

Zhao Ziyang

Mr. Zhao said the prices of some things will go up while those of others will decrease. But the public comments of other Chinese officials have given the impression that there will be general inflation next year.

Reaction to the possibility of price increases is particularly sharp in China because many older people here remember the hyperinflation of the late 1940s, during China's civil war. Between May 1946 and May 1949, wholesale prices in Shanghai rose astronomically.

South Koreans Are Casting U.S. as Villain in Trade Relations

By Sam Jameson
Los Angeles Times Service

SEOUL — Despite the fact that South Korea is expected to double its trade surplus with the United States this year to a record level of more than $3.5 billion, South Koreans have cast the United States in the role of villain in their trade relations.

A U.S. economist here, who asked not to be identified, said the South Koreans are irritated by a series of court actions accusing them of dumping and other unfair trade practices.

He said these actions have "created the impression of pending protectionism," even though the protectionism never materializes.

Park Un Suh, director of the International Trade Promotion Bureau of the Ministry of Trade and Industry, said the court action itself constitutes a kind of "procedural protectionism." He said 16 complaints were filed against South Korean products last year, compared with only two in 1981.

"American manufacturers file them as a harassment tactic," he said. "The suits consume a long time and, in the meantime, hamper exports. Then, when a negative finding is handed down, no compensation is made for the loss of the market, which occurs as American buyers shift purchase to other countries."

Even without the suits, 49 percent of South Korea's exports to the United States, in terms of value, have been placed under various forms of restraints, the Ministry of Trade and Industry complained in a report this month. The major restraint is a multinational agreement on textiles.

South Koreans are particularly upset by three recent anti-dumping rulings by the International Trade Commission, all dealing with South Korean color television sets, and President Ronald Reagan's decision in September to seek global voluntary restraints on exports of steel to the United States.

Both issues are scheduled to be resolved by mid-December. Commerce Department investigators are to make a final ruling Dec. 15 on the color TV dumping case, and Mr. Reagan's steel negotiators have been given a Dec. 18 deadline to draw up a package of global steel restraints.

Dumping occurs when a company sells goods in a foreign country at prices undercutting the production costs in the importing country.

Mr. Park said the Seoul government believed that the United States was out of line in asking South Korea — which Reagan administration officials have described publicly as a "fair trader" in steel — to restrain its exports on the same basis as countries that have been found guilty of dumping steel.

Mr. Park said that in the last three years 15 charges of dumping or other unfair trade charges involving steel have been brought against South Korea in the United States, and most of them have been dismissed. Even when the charges were found to be valid, he said, a dumping duty of only 5 percent was assessed (on steel plate) and a countervailing duty of 1.9 percent (on steel sheet).

In 1983, Mr. Park said, South Korea was a bigger importer of steel than the United States in terms of the percentage of domestic demand filled by imports. Imports of 2.5 million tons — 85 percent of them from Japan — accounted for 28.4 percent of domestic steel consumption of 8.7 million tons, he said. By comparison, imports accounted for 21 percent of the U.S. market.

South Korea's steel exports to the United States have gone from 251,000 tons in 1980 to 2.2 million tons last year. Through the first seven months of 1984, exports increased 23 percent in volume and 50 percent in value and were running at an annual rate of 2.8 million tons, according to U.S. trade statistics.

Although the two governments have held two fruitless meetings on the steel question, Mr. Park indicated that South Korea is willing to compromise.

"We fully understand the bad situation of the steel industry in the United States," he said, "so we are going to monitor our exports of steel to keep them within acceptable levels. We will not allow any big surge of exports."

Still, he said, the U.S. negotiators are insisting on more specific restraints, including a limit on market share.

"If we are going to conduct restraints, we would prefer to have a specific figure, rather than a market-share percentage," Mr. Park said.

U.S. officials here say that the steel issue will be solved eventually, but they fear that the final ruling on color TV dumping could provoke an emotional reaction. In September 1983 the United States assessed a 3-percent provisional anti-dumping duty and, in a final ruling on Feb. 25, an average duty of 14.6 percent.

South Korean manufacturers and their government, insisting that the 14.6 percent is excessive, asked for an expedited review covering more recent exports. A preliminary finding, on Sept. 9, assessed an average duty of 35 percent. One company, Samsung, was assessed a duty of 52 percent, which U.S. officials admitted privately must have been a mistake.

Confounding South Koreans was the fact that the finding in the expedited review covered exports delivered after South Korean manufacturers had raised export prices and lowered domestic TV prices.

The U.S. economist said that the South Korean government, business community and press have all read into the rulings on dumping a bias against South Korea, and he added that this was not justified.

South Korean color TV exports to the United States have fallen off since the dumping troubles began. Last year, exports more than tripled, to 1.9 million sets.

Swiss Report Watch Sales Up

United Press International

BIENNE, Switzerland — Swiss watchmakers, after several difficult years, on Monday reported an upturn in business in the first 10 months of 1984 and a sharp rise in sales to the United States.

The Watch Industry Federation said exports rose 13.6 percent in value during the 10-month period to 3.06 billion Swiss francs ($1.22 billion).

Exports to the United States accounted for 44 percent of the overall increase, due in part to the strength of the dollar. Total exports, however, were still 4 percent below the first 10 months of 1981.

Japanese Steel Sees Need to Diversify

Reuters

TOKYO — Japan's steel mills must rapidly diversify into new nonferrous materials and expand overseas joint projects because of a world steel glut, Minoru Kanao, president of Nippon Kokan K.K., said Monday.

Mr. Kanao said at a news conference that within 10 years basic steel production would account for only 50 percent of NKK's output. Its other activities would be making steel products and new materials.

He said he hoped that in government-level negotiations in Washington over U.S. steel import quotas, the United States would take into account the Japanese industry's export restraint in the recession year of 1983.

NKK and other Japanese mills would like to increase their imports of U.S. metallurgical coal for steelmaking in an effort to ease trade friction over Japanese exports of steel to the United States, Mr. Kanao said.

Paribas Head Says Reform Transitory

Reuters

PARIS — The credit reform announced by the government last month is transitory and will not last as long as the former system of credit ceilings, established in 1972, the chairman of Banque Paribas, Jean-Yves Haberer, was quoted as saying Monday.

In an interview with Le Figaro newspaper, he said the new system will have to be modified when economic growth recovers. "It's a system of transition," he said.

The system, to take effect in 1985, will link credit limits to obligatory reserves placed with the Bank of France, based on banks' total capital and long-term liabilities.

"The ideal would have been to create a simple and direct relation between a bank's share capital and its credit potential," Mr. Haberer said. But this would have created distortions due to wide discrepancies in capitalization between banks, so the government compromised by including liabilities, he said.

He said that although this is easier to manage, it will encourage banks to raise money on the bond market that would be better employed financing long-term investment.

The new system will also increase constraints on banks, coming as it does at a time of restrictive monetary policy.

"This thought must not be misunderstood. There is a consensus among bankers on the absolute necessity of controlling monetary creation," Mr. Haberer said.

But the government has chosen to place the main burden for cutting money supply on the banks by limiting credit levels.

The government has set a 4- to 6-percent growth target on one measure of the money supply in 1985 compared with this year's 5.5-to-6.5-percent target.

The monetary constraint programmed for 1985 is tougher than that of 1984 and acts against any expectations the reform of credit control will stimulate economic expansion, he said.

"This thought must not be misunderstood," he said. "There is a consensus among bankers on the absolute necessity of controlling monetary creation."

Monday's AMEX Closing

Vol. at 3 P.M.	7,490,000
Prev. 3 P.M. vol.	3,600,000
Prev. consolidated close	4,530,000

Tables include the nationwide prices up to the closing on Wall Street

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
A										
7¼	3⅞	ADI n			20	86	6	5½	5½	— ½
3¾	2½	ADI wt				132	2⅞	2½	2½	— ⅜
3⅞	1⅛	AIC Ph				1	1⅛	1⅛	1⅛	
15¾	8¼	ALLab n	.20	1.9	10	4	10⅝	10⅛	10⅝	+ ⅛
13⅞	12	AMC n	.12e	.9	10	271	13	12⅞	12⅞	
3¼	2⅛	AM Intl				325	2⅞	2¾	2⅞	
2⅛	⅜	ATI				38	⅞	¾	⅞	— 1/16
71¾	58	ATTFd n	5.52e	7.8		122	70¾	70⅝	70⅝	— ⅛
7⅛	2⅛	AcmePr				5	3⅞	3⅞	3⅞	+ ⅛
16⅞	8½	AcmeU	.32	3.3	11	42	9¾	9⅝	9⅝	+ ⅛
16⅞	9⅝	Action			34	81	14¼	13⅝	13⅝	— ⅝
9¼	4⅝	Acton				77	4¾	4½	4⅝	
3⅞	⅜	Actn wt				13	½	⅞	⅞	— 1/16
3⅝	1⅞	AdmRs			3	10	2⅛	2	2	— ⅛
25½	15⅝	AdRusl s	.14	.6	19	17	24¾	24½	24⅝	— ¼
24¼	15	Adobe	.24	1.5	11	11	16¾	16½	16½	— ½
8⅝	4½	Aeronc			7	97	6¾	6⅝	6⅝	+ ⅛
25¾	16⅝	AfilHsp	.44	2.6	7	9	17⅞	17¼	17¼	
33⅝	21⅞	Brscn g	1.60			22	23	22½	22⅞	— ¼
34⅝	22¾	BrnFA	.88	3.1	10	6	28¼	28⅛	28⅛	— ¼
37½	23¼	BrnFB	.88	2.9	10	41	30½	29¾	30	— ⅜
4	3⅛	BrnF pf	.40	11.9		3	3½	3⅜	3⅜	
4	2⅜	Buckhn				5	3½	3⅜	3½	+ ⅛
4¾	3⅞	Buckh pf	.50	12.5		2	4	4	4	
32⅞	16½	Buell	.50	1.8	7	1	28⅛	28⅛	28⅛	— ⅛
C										
17⅞	11½	CDI s			8	186	15¾	15	15½	— 1⅛
14⅝	10¼	CHB	.20b	1.9	9	10	10½	10⅛	10½	
9¼	4½	CMI Cp				18	6⅝	6¼	6⅝	
22⅞	13⅝	CRS	.34	2.0	16	24	17½	17⅛	17⅛	— ⅝
19¾	9½	CoesNJ			11	80	10¾	10¼	10½	— ¼

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s
4⅝	1¾	ExplSv				54
F						
12⅞	8¾	FPA			19	17
20⅞	15½	FabInd	.35	2.3	7	14
5⅛	2¼	FairmC				2
21¼	16	FedRlt	1.44	7.2	15	14
11½	9½	FtConn	1.00a	10.0	7	2
23⅝	18¾	FtFSL n	.60b	2.7	12	5
13⅞	11¼	FWymB	.80	6.7	9	54
17⅞	12¼	FischP			13	20
20¼	9½	FltGE	1.40	13.2	4	48
28¾	22¾	FltGE pf	4.00	15.1		2
14	8¾	FlanEn				27

Over-the-Counter

Nov. 26

NASDAQ National Market Prices

	Sales in 100s	High	Low	3 P.M.	Net Ch'ge
A					
AEL s	78	22½	22	22	+ ½
AFG	49	17¼	17	17	— ¼
ASK	308	16½	16¼	16½	
ATE	19	4	3⅞	4	— ⅛
AemRt	6	17½	17¼	17½	— ⅛
Acadin .20b 2.2	1410	9½	8¾	9⅛	+ ⅛
Acelrtn	8	9	9	9	— ¼
AcuRay .20 1.0	41	20	19¾	19¾	
AdacLb	387	4½	4⅜	4⅜	— ⅛
Adage	416	7¼	6¾	7	

	Sales in 100s	High	Low	3 P.M.	Net Ch'ge
BoatB s 1.35 4.8	10	28	27¾	28	
BobEvn .30 1.7	98	17¾	17¼	17¼	— ½
BoltTc .16e 1.8	51	9	8¾	8¾	
BsinFC	526	13⅝	13¼	13⅝	+ ⅛
BroeCp	56	10¾	10¼	10½	— ¼
Brenco .24 4.1	84	6	5⅝	5⅝	— ⅛
BrwTom	304	4	3¾	3⅞	— ⅛
Bruno .28 1.5	90	19¼	18⅝	18⅝	— ⅜
BuildTr	1	19¾	19¾	19¾	— ¼
BurlCt	116	17⅞	17	17⅞	+ ⅜
BurrBr	3	17½	17½	17½	— ½
Businld	209	4¼	4⅛	4⅛	— ⅛

BUSINESS ROUNDUP

Commerzbank Raises Profit Forecast

By Warren Getler
International Herald Tribune

FRANKFURT — Commerzbank AG reported Monday that 1984 group operating profit will approach last year's record result of over 1 billion Deutsche marks ($333 million), exceeding the bank's earlier projections.

The bank's managing board chairman, Walter Seipp, said "clear priority" will be given to making risk provisions and strengthening reserves against 1984's strong results. He declined to say how much of the 1984 earnings would be set aside to cover loan risks.

Mr. Seipp said at a news conference that shareholders could expect a dividend at least equal to the 6-DM payout in 1983 — the first in four years.

For the first 10 months, Commerzbank's group operating profit — the sum of its net interest income, commission fees, and gains from trading on its own account, less operating costs and extraordinary items — was depressed by a 43-million DM, or 11.5 percent, increase in capital spending. Much of that spending increase was to cover the costs of installing electronic data-processing systems, Mr. Seipp said.

Parent bank partial operating profit, excluding trading, totaled 527.3 million DM for the first 10 months this year, down 8.2 percent from the year-earlier 574.7 million DM. But the 10-month result, Mr. Seipp emphasized, was an improvement over first-half partial operating profits of 293.5 million, which were 14.9 percent below the year-earlier result.

He gave no figures for full operating profit but said those results were moving in the same direction as the partial profit figures, with the group result showing more marked gains than the parent bank.

Group operating profit in 1984, boosted by a stabilizing interest-rate margin and an improved second-half climate in the financial markets, is "all but certain to reach 1 billion DM," Mr. Seipp said. The figure is likely to be slightly above the bank's most optimistic profit-growth projections, he said. The bank's interest-rate margin was 2.59 points for the first 10 months, compared with an average of 2.64 points for all 1983.

A board member of a major international bank in Frankfurt said Commerzbank's results show that recent reorganization there has "borne fruit, to the point that the bank has caught up tremendously in its profit performance," after suffering setbacks in 1980-81 in its operating profit performance. He said Commerzbank's moves in recent years to de-emphasize interbank lending and to focus more on retail business have been "prudent" and have helped profits.

The moves were initiated by Mr. Seipp, after joining Commerzbank in May 1981 from Westdeutsche Landesbank.

Commerzbank's results in the early 1980s were hurt as a result of major long-term lending, largely to West German government institutions in the late 1970s, at low fixed-interest rates.

Jardine Shares Rise Sharply Amid Rumors

Reuters

HONG KONG — The price of Jardine, Matheson & Co. shares rose sharply Monday on the Hong Kong Stock Exchange on rumors that a consortium of British and U.S. companies led by N.M. Rothschild & Sons Ltd. is negotiating to acquire part of the Keswick family's stake in Jardine, stock market sources said.

Sources said the consortium is negotiating to acquire a 9-percent stake in Jardine, or about 37 million shares, at about 11 Hong Kong dollars ($1.41) each. But Rothschild's managing director in Hong Kong, Gordon Young, said Monday that the company is in no way involved in such a consortium. Spokesmen from Jardine were unavailable for comment. Jardine shares closed 50 cents higher Monday at 8.75 dollars a share.

According to stock market analysts, the Keswick family holds about 22 percent of Jardine, Matheson shares. Simon Keswick has been chairman of the company since early this year.

Separately, the Hang Seng index rose 17.92 points Monday to close at a seven-month high of 1,113.96, following a half-point cut in Hong Kong interest rates. This is the highest closing for the stock exchange's index since April 19.

Chase Buys Stakes in 2 London Brokerages

Reuters

LONDON — Chase Manhattan Corp. will become a limited partner in the British stockbrokerages of Laurie Milbank & Co. and Simon & Coates, subject to regulatory approvals, a joint announcement said Monday.

It is planned that Chase will acquire 100 percent of both firms if London Stock Exchange membership rules are changed, the announcement said. Current rules limit an outside investor's stake in a firm that is a member of the London Stock Exchange to a maximum of 29.9 percent.

The exchange's membership rules and dealing systems are due to be revised when the stock exchange introduces negotiated commission rates in about two years.

Chase's chief financial officer, Anthony Terracciano, said the decision to invest in the stockbroking firms reflected a strategy for developing a worldwide investment banking business.

"A significant position in London is obviously crucial," he said at a news conference.

Financial details on the deal were not available. But Mr. Terracciano said Chase does not expect to be putting up significant amounts of new capital until the London exchange's commission rates become negotiable.

Mr. Terracciano said Chase's interests in the two brokers will not be the same initially because of technical and tax reasons.

The U.S. bank will not be acquiring the stock exchange money broking business of Laurie Milbank. This side of the business will be incorporated on an independent basis.

The transaction, put together in recent weeks, represents another major merger on the London Stock Exchange backed by outside financial interests.

Sale of U.K. Airline Is Seen in February

Reuters

LONDON — State-owned British Airways will probably be sold in the second half of February, the chief executive, Colin Marshall, said Monday.

He said that traffic trends had been good in the current fiscal year ending next March.

Japan Tightens Foreign-Exchange Watch

Reuters

TOKYO — The Bank of Japan, the nation's central bank, said Monday that it has tightened its supervision of foreign-exchange activity by Japanese banks following losses reported by Fuji Bank Ltd.

On Nov. 7, Fuji Bank reported an 11.5-billion yen ($46.8-million) loss on foreign-exchange transactions at its New York branch. Japanese finance ministry officials are investigating the loss in New York.

The ministry is responsible for all activities of Japanese banks abroad and the Bank of Japan for their exchange activity.

A Bank of Japan official described the loss as very regrettable. "We are hoping for stronger control of exchange transactions by bank managements and we will be keeping a closer watch on what they are doing," he said.

However, he noted that in the case of Fuji Bank, the management was not aware of the activities of their chief New York dealer.

The official said accumulation of such foreign-exchange losses can be attributed partly to the development of 24-hour trading and insufficient staff at foreign branches.

He added that the bank had not recommended increased staffing as it feels this is for individual banks to decide.

The Bank of Japan occasionally despatches supervisory teams to foreign branches of Japanese banks with the permission of local regulatory authorities. The official said this system will continue on the same scale in terms of the number of people involved but said contacts will be intensified.

Stricter exercise of existing rules may be enough to prevent similar incidents although there may be some case for a revision of the rules, he said.

—ADVERTISEMENT—

INTERNATIONAL FUNDS

Quotations Supplied by Funds Listed

26 November 1984

The net asset value quotations shown below are supplied by the Funds listed with the exception of some funds whose quotes are based on issue prices. The following marginal symbols indicate frequency of quotations supplied for the IHT: (d) — daily; (w) — weekly; (b) — bi-monthly; (r) — regularly; (i) — irregularly.

AL MAL MANAGEMENT	
(w) Al-Mal Trust, S.A.	$ 137.56
BANK JULIUS BAER & CO. Ltd.	
—(d) Baerbond	SF 894.25*
—(d) Conbar	SF 1100.00
—(d) Equibaer America	$ 1069.00
—(d) Equibaer Europe	SF 1047.00
—(d) Equibaer Pacific	SF 1099.00
—(d) Grobar	SF 949.00
—(d) Stockbar	SF 1507.00*
BANK VON ERNST & Cie AG. PB 2622 Bern	
—(d) CSF Fund	SF 24.23
—(d) Crossbow Fund	SF 10.33
—(d) ITF Fund N.V.	$ 13.88
BANQUE INDOSUEZ	
—(w) Diverbond	SF 844.40
—(w) FIF—America	$ 17.33
—(w) FIF—Europe	$ 9.91
—(w) FIF—Pacific	$ 16.04
—(d) Indosuez Multibonds A	$ 98.66
—(d) Indosuez Multibonds B	$ 151.10
BRITANNIA, POB 271, St. Helier, Jersey	
—(w) Brit.Dollar Income	$ 0.0868*
—(w) Brit.$ Manag.Curr	$ 9.10*
—(d) Brit. Intl.$ Manag.portf	$0.962
—(d) Brit. Intl.£ Manag.Portf	£ 1.079
—(w) Brit.Universal Growth	$ 0.960
—(w) Brit.Gold Fund	$ 0.925*
—(w) Brit.Manag.Currency	£ 14.79
—(d) Brit. Japan Dir Perf. Fd	$0.996
—(w) Brit.Jersey Gilt Fund	£ 0.227
—(d) Brit. World Leis. Fund	$ 0.965
—(d) Brit. World Techn. Fund	$ 0.775
CAPITAL INTERNATIONAL	
—(w) Capital Int'l Fund	$ 32.24
—(w) Capital Italia SA	$ 10.45
CREDIT SUISSE (ISSUE PRICES)	
—(d) Actions Suisses	SF 331.75*
—(d) Bond Valor Swf	SF 182.05
—(d) Bond Valor D-mark	DM 103.82
—(d) Bond Valor US-DOLLAR	$ 106.69
—(d) Bond Valor Yen	Yen 10346.00
—(d) Convert Valor Swf	SF 104.15
—(d) Convert Valor US-DOLLAR	$ 105.89
—(d) Canasec	SF 707.00
—(d) CS Fonds—Bonds	SF 75.75
—(d) CS Fonds—Int'l	SF 104.00
—(d) CS Money Market Fund	$ 1019.00
—(d) CS Money Market Fund	DM 1010.00
—(d) Energie—Valor	SF 151.50
—(d) Ussec	SF 868.00
—(d) Europa—Valor	SF 134.25
—(d) Pacific—Valor	SF 159.25
DIT INVESTMENT FFM	
—+(d) Concentra	DM 23.94
—+(d) Int'l Rentenfond	DM 89.82
Dunn & Hargitt & Lloyd George, Brussels	
—(m) D&H Commodity Pool	$ 282.48 ***
—(m) Currency & Gold Pool	$ 172.01 ***
F&C MGMT. LTD. INV. ADVISERS	
1, Laurence Pountney Hill, EC4. 01-623-4680	
—(w) F&C Atlantic	$ 10.18
—(w) F&C European	$ 9.79
—(w) F&C Oriental	$ 25.07
FIDELITY POB 670, Hamilton Bermuda	
—(m) American Values Common	$ 102.75
—(m) Amer Values Cum.Pref	$ 75.80
—(d) Fidelity Amer. Assets	$ 62.44
—(d) Fidelity Australia Fund	$ 8.93
—(d) Fidelity Dir. Svgs.Tr	$ 118.56
—(d) Fidelity Far East Fund	$ 19.42*
—(d) Fidelity Int'l. Fund	$ 50.10
—(d) Fidelity Orient Fund	$ 25.42
—(d) Fidelity Frontier Fund	$ 11.65
—(d) Fidelity Pacific Fund	$ 137.62*
—(d) Fidelity Sect. Growth Fd	$14.51
—(d) Fidelity World Fund	$ 28.42*
FORBES PO B887 GRAND CAYMAN	
London Agent 01-839-3013	
—(w) Gold Income	$ 8.63*
—(w) Gold Appreciation	$ 4.80
—(w) Dollar Income	$ 7.77
—(m) Strategic Trading	$ 105.00
GEFINOR FUNDS.	
—(w) East Investment Fund	$ 368.24
—(w) Scottish World Fund	£ 112.2798
—(w) State St. American	$ 134.97
Capil.Guid.Ltd.Lon.Agent.01-4914230	
GLOBAL ASSET MANAGEMENT CORP.	
PB 119, St Peter Port, Guernsey. 0481-28715	
PB (m) FuturGAM S.A.	$ 101.08
(m) GAM Arbitrage Inc	$ 114.97
(w) GAMerica Inc	$ 116.47
(w) GAM Ermitage	$ 11.84
(w) GAM Pacific Inc	$ 111.11
(w) GAM Boston Inc	$ 81.75
(m) GAM Park Ave	$ 105.65
(w) GAM Sterl. & Intl Unit Trust	117.50 p
(w) GAM Worldwide Inc	$ 118.57
(m) GAM Tyche S.A. Class A	$ 103.25
G.T. MANAGEMENT (UK) Ltd.	
—(w) Berry Pac. Fd. Ltd.	$ 9.91
—(d) G.T. Applied Science	$ 14.50*
—(d) G.T. Asean H.K. Gwth.Fd	$11.62*
—(w) G.T. Asia Fund	$ 4.02*
—(d) G.T. Australia Fund	$ 25.77
—(d) G.T. Europe Fund	$ 9.22
—(d) G.T. Dollar Fund	$ 13.66
—(d) G.T. Bond Fund	$ 10.71
—(d) G.T. Global Technlgy Fd	$ 12.54
—(d) G.T. Honshu Pathfinder	$ 24.73*
—(d) G.T. Investment Fund	$ 17.00
—(d) G.T. Japan Small Co.Fund.	$43.36*
—(d) G.T. Technology Fund	$ 25.12
—(d) G.T. South China Fund	$ 13.06
EBC TRUST CO.(JERSEY) LTD.	
1-3 Seale St., St. Helier ;0534-36331	
TRADED CURRENCY FUND.	
@(d) Inc.: Bid $9.75* Offer	$10.063*
@(d) Cap.: Bid $10.37 Offer	$10.691
INTERNATIONAL INCOME FUND	
—(d) Short Term 'A' (Accum)	$ 1.4280
—(d) Short Term 'A' (Distr)	$ 1.8327*
—(d) Short Term 'B' (Accum)	$ 1.1396
—(d) Short Term 'B' (Distr)	$ 0.8959*
—(w) Long Term	$ 23.27
JARDINE FLEMING, POB 70 GPO Hg Kg	
—(b) J.F Japan Trust	Y 4486
—(b) J.F South East Asia	$ 26.04
—(b) J.F Japan Technology	Y 22397
—(b) J.F Pacific Sec.S.(Acc)	$ 5.56
—(b) J.F Australia	$ 5.44
NIMARBEN	
—(d) Class A	$ 85.42
—(w) Class B - U.S.	$ 98.87
—(w) Class C - Japan	$ 83.40
ORANGE NASSAU GROUP	
PB 85578, The Hague (070) 469670	
—(d) Sever Beleggingen++	$ 37.00

LLOYDS BANK INTL. POB 438, Geneva 11	
—+(w) Lloyds Int'l Dollar	$ 112.00
—+(w) Lloyds Int'l Europe	SF 100.50
—+(w) Lloyds Int'l Growth	SF 996.000
—+(w) Lloyds Int'l Income	SF 324.00
—+(w) Lloyds Int'l Pacific	SF 135.00
PARISBAS—GROUP	
—(d) Cortexa International	$ 86.22
—(w) OBLI-DM	DM 1,222.26
—(w) OBLIGESTION	SF 90.55
—(w) OBLI-DOLLAR	$ 1,068.09
—(w) OBLI-YEN	Y 105,094.00
—(w) OBLI-GULDEN	FL 1038.75
—(d) PAROIL-FUND	$ 97.88
—(d) PARINTER FUND	$ 100.82
Royal Bank Of Canada, POB 246, Guernsey	
-+(w) RBC Canadian Fund Ltd.	$ 18.51
-+(w) RBC Far East&Pacific Fd.	$ 10.22
-+(w) RBC Int'l Capital Fd.	$ 18.01
-+(w) RBC Int'l Income Fd.	$ 10.33*
-+(d) RBC Man.Currency Fd.	$ 22.15
-+(w) RBC North Amer. Fd.	$ 7.73*
SWISS BANK CORP.	
—(d) America Valor	SF 521.50
—(d) D-Mark Bond Selection	DM 120.86
—(d) Dollar Bond Selection	$ 129.84
—(d) Florin Bond Selecton	FL 126.20
—(d) Intervalor	SF 78.00
—(d) Japan Portfolio	SF 801.75
—(d) Swiss Foreign Bond Sel.	SF 108.79
—(d) Swissvalor New Ser.	SF 269.25
—(d) Univ. Bond Select.	SF 84.25
—(d) Universal Fund	SF 108.41
UNION BANK OF SWITZERLAND	
—(d) Amca U.S. Sh.	SF 38.75
—(d) Bond-Invest	SF 68.75
—(d) Fonsa Swiss Sh.	SF 122.58
—(d) Japan-Invest	SF 906.00
—(d) Safit South Afr. Sh.	SF 550.50
—(d) Sima Swiss R. Est	SF 196.00
UNION INVESTMENT Frankfurt	
—(d) Unirenta	DM 39.51
—(d) Unifonds	DM 19.48
—(d) Unirak	DM 71.14
Other Funds	
(w) Actibonds Investments Fund.	$ 20.57
(w) Aquila International Fund	$ 103.27
(r) Arab Finance I.F.	$ 851.41
(b) Ariane	$ 1,509.53
(w) Trustcor Int'l Fd. (AEIF)	$ 10.21
(d) BBL FONDS	BF 6061
(w) BNP Interbond Fund	$ 104.55
(w) Bondselex-Issue Pr.	SF 139.25
(m) Canada Gtd-Mortgage Fd.	$ 8.45
(d) Capital Preserv. Fd. Intl.	$10.94
(w) Citadel Fund	$ 1.82
(d) C.I.R. Japan Fund	$ 9.87
(m) Cleveland Offshore Fd.	$ 1,831.16
(w) Columbia Securities	FL 101.41
(b) COMETE	$ 946.94
(w) Compucom Currency	$ 81.41
(d) Cons. Banks Fund	$ 1,060.00
(w) Convert. Fd. Int'l A Certs	$ 9.37
(w) Convert. Fd. Int'l B Certs	$ 25.58
(w) D.G.C.	$ 70.65
(d) D. Witter Wld Wide Ivt Tst	$9.84
(b) Drakkar Invest.Fund N.V.	$ 929.47
(d) Dreyfus Fund Int'l	$ 33.15
(w) Dreyfus Intercontinent	$ 30.28
(w) The Establishment Trust	$ 1.05
(d) Europe Obligations	LF 2,634.00
(w) First Eagle Fund	$ 11,791.68
(b) Fifty Stars Ltd.	$ 835.34
(w) Finsbury Group Ltd.	$ 108.67
(w) Fonselex Issue Pr.	SF 200.90
(w) Forexfund	$ 7.99
(w) Formula Selection Fd.	SF 68.55
(d) Fonditalia	$ 20.66
(d) Governm. Sec. Fund*	$ 84.23
(d) Frankf-Trust Interzins	DM 40.96*
(w) Haussmann Hldgs. N.V.	$ 97.56
(w) Hestia Funds	$ 96.70
(w) Horizon Fund	$ 1,122.28
(b) ILA Intl Gold Bond	$ 10.62
(d) Interfund SA	$ 11.55
(w) Intermarket Fund	$ 325.26
(w) Int'l Currency Fund Ltd	$ 22.09
(d) I.O. Growth	$ 21.96
(d) I.O. Gold Fund	$ 7.71
(r) Int'l Securities Fund	$ 8.53
(d) Investa DWS	DM 40.31
(r) Invest Atlantiques	$ 7.29
(r) Italfortune Int'l Fund SA	$ 9.90
(w) Japan Selection Fund	$ 102.70
(w) Japan Pacific Fund	$ 109.77
(d) Kleinwort Benson Int'l Fd.	$20.12
(w) Kleinwort Bens. Jap. Fd.	$ 75.31
(d) Leicom Fund	$ 1,034.77
(w) Leverage Cap Hold	$ 156.68
(d) Liquibaer	$ 1,248.00
(w) Lloyds Intl. Small Cos.	$ 12.77
(w) Luxfund	$ 69.62
(m) Magnafund N.V.	$ 163.97
(d) Mediolanum Sel. Fd.	$ 12.54
(b) Meteore	Y 111202.00
(w) NAAT	$ 10.50
(d) Nikko Growth Package Fd	$ 10,030.01
(w) Nippon Fund	$ 30.03*
(w) Novotec Investment Fund	$ 88.90
(w) N.A.M.F.	$ 136.98
(m) NSP F.I.T.	$ 147.41
(m) Opportunity Investors Ltd.	$ 34.05
(w) PANCURRI Inc.	$ 15.16
(r) Parfon Sw. R Est Geneva	SF 1,397.00
(r) Permal Value Fund N.V.	$ 1,114.54
(b) Pleiades	$ 955.92
(d) Putnam Int'l Fund	$ 56.11
(b) Pri—Tech	$ 868.76
(w) Quantum Fund N.V.	$ 2,977.47
(d) Renta Fund	LF 2,742.00
(d) Rentinvest	LF 1,102.00
(d) Reserve Insured Deposits	$ 1,041.77
(d) Safe Trust Fund	$ 6.54
(w) Samurai Portfolio	SF 103.90
(d) SCI/Tech. SA Luxembourg	$ 9.67
(w) State St. Bank Equity HdgsNV	$ 7.82
(w) Strategy Investment Fund	$ 20.01
(w) Tokyo Pac. Hold. (Sea)	$ 103.38
(w) Tokyo Pac. Hold. N.V.	$ 141.68*
(w) Transpacific Fund	$ 91.56
(d) Turquoise Fund	$ 99.39
(w) Tweedy,Browne n.v.ClassA	$ 1,940.03
(w) Tweedy,Browne n.v.ClassB	$ 1,421.43
(d) UNICO Fund	DM 71.40
(d) UNI Bond Fund	$ 992.82
(b) UNI Capital Fund	$ 1019.86
(w) United Cap. Invt. Fund Ltd.	$1.18
(w) Wedge Europe N.V.	$ 48.16
(w) Wedge Japan N.V.	$ 82.86
(w) Wedge Pacific N.V.	$ 57.53
(w) Wedge U.S. N.V.	$ 51.90
(m) Winchester Financial Ltd	$ 8.45
(m) Winchester Diversified**	$ 21.94*
(d) World Fund S.A.	$ 10.43
(w) Worldwide Securities S/S 3½	$40.21
(w) Worldwide Special S/S 2½	$ 1,478.23

DM — Deutsche Mark; BF — Belgium Francs; FL — Dutch Florin; LF — Luxembourg Francs; SF — Swiss Francs; a — asked; + — Offer Prices; b — bid change P/V $10 to $1 per unit; N.A. — Not Available; N.C. — NotCommunicated; o — New; S — suspended; S/S — Stock Split; * — Ex-Dividend; ** — Ex-Rts; *** — Gross Performance Index Oct.; • — Redempt-Price- Ex-Coupon; ** — Formerly Worldwide Fund Ltd; @ — Offer Price incl. 3% prelim. charge; ++ — daily stock price as on Amsterdam Stock Exchange

COMPANY NOTES

Anglovaal Ltd., the South Africa mining and industrial group, will increase earnings in the year ending June 30, 1985, the chairman, Basil Hersov said. Earlier this month Anglovaal warned that a rise in profit would be difficult to achieve in 1985. The report showed pretax profit rose 5 percent to 588 million rand ($328.5 million) last year.

General Motors Corp. recalled 3.1 million 1978-, 1979- and 1980-model midsize cars because of rear axles that may wear abnormally and could separate. The action is separate from GM's refusal over the weekend to recall 1.1 million smaller, 1980 compact X-body cars, which may need extra pressure on the brakes for the car to stop.

Gulf & Western Industries Inc. said it signed a definitive agreement to acquire Prentice-Hall Inc. for $71 a share. The board of Prentice-Hall, a publisher, recommended shareholders to accept the offer.

Lesieur SA, the French edible-oil and household-goods concern, said it could raise its stake in Spanish cooking oil maker, Koipe SA, to 64 percent from the present 50 percent following a Koipe share issue to be put to shareholders on Dec. 16.

Linde AG, the West German maker of refrigeration and air conditioning systems, said pretax profit rose 6 percent in the first nine months to 1.09 billion Deutsche marks ($363.3 million) compared with the year-earlier period, but sales fell 4 percent to 1.88 billion, mainly due to lower activity in the plant building and chemical engineering sectors.

Nissan Motor Co. of Japan said it has developed a ceramic turbocharger for cars, using light, heat-resistant nitric silicon ceramics.

Rand Mines Properties Ltd. said pretax profit rose 21 percent to 30.63 million rand ($17.1 million) in the year ended Sept. 30 from 25.31 million the previous year. Annual dividend rose to 65 cents a share from 45 cents.

Security Pacific National Bank of the United States said its acquistion of the 31 percent that it does not already hold in Bank of Canton in Hong Kong has been approved by Hong Kong's supreme court. Security Pacific has offered 355 million Hong Kong dollars ($45.5 million) for the unlisted shares.

Sime Darby Bhd., the Malaysian plantation-based conglomerate, offered to acquire the 68 percent of United Estates Projects Bhd.'s issued capital it does not already own through a share swap. Sime will offer three of its 50-Malaysian-cent (20-cent) shares for every two UEP shares. United is a major Malaysian property developer.

Texaco Inc. said its profit would be reduced by a $765-million after-tax writedown in the fourth quarter as a result of one-time charges connected with its multibillion-dollar acquisitions earlier this year and a reassessment of prospects in the oil industry. In the fourth quarter of last year, Texaco earned $256 million, and in the first nine months of this year, $858 million.

United Newspapers PLC, a British publishing concern, has made a £82.3-million ($98.7-million) offer for Link House Publications PLC. The Link board has unanimously recommended the offer to shareholders.

Arthur Andersen Faces Suits

(Continued from Page 15)

support the firm's capital base, where the money remains until the partner retires.

This capital base, which is estimated to be between $300 million and $400 million at Andersen, serves as an extra cushion. But if a catastrophic series of settlements occurred, the partners would be individually liable.

While Mr. Kullberg acknowledges insurance rates will be going up, he said the cost of litigation and insurance premiums as a percent of firm revenues has been little changed over the years. And he does not anticipate any threat to partners' fortunes.

From his vantage point, there are more costly side-effects, particularly the "mental burden on people who otherwise believe they do excellent work" and the reputation of the firm.

That is one reason why firms will often try to settle suits quickly and quietly.

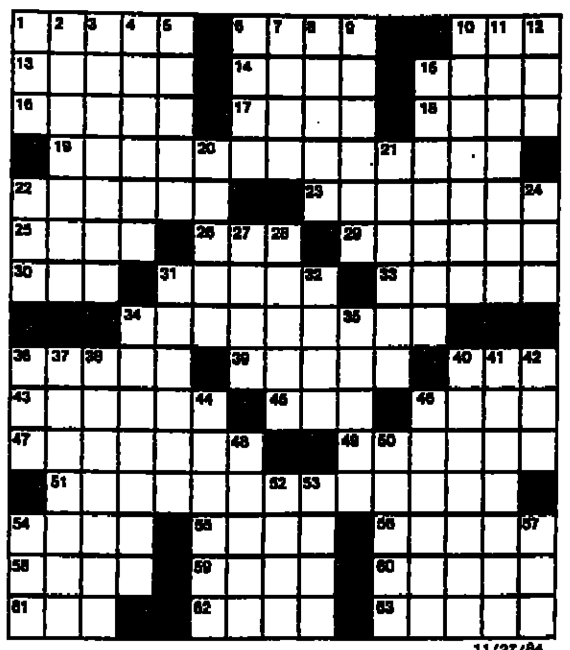
But officials at the major firms have been concerned at the size of the Andersen settlements and the implications for the industry.

Following the Andersen settlements, officials at other firms privately questioned whether Andersen, which once had a reputation for fighting cases, had become gun-shy after a federal jury in 1982 decided Andersen should pay $80.7 million to investors in Fund of Funds Ltd., a mutual fund. A federal judge subsequently reduced the award by an undisclosed amount.

Mr. Kullberg says such criticism over its recent settlements comes from those who "are not privilege to the facts. We're not gun-shy about fighting."

Another side-effect of the litigation is expected to be greater scrutiny from Capitol Hill to try to answer why accounting methods have been called into question so frequently.

"The festering litigation and the frequency of it is the grist for the mill of Congressional hearings," said Abraham J. Briloff, an accounting professor at Baruch College and a prominent longtime critic of the profession.



11/27/84

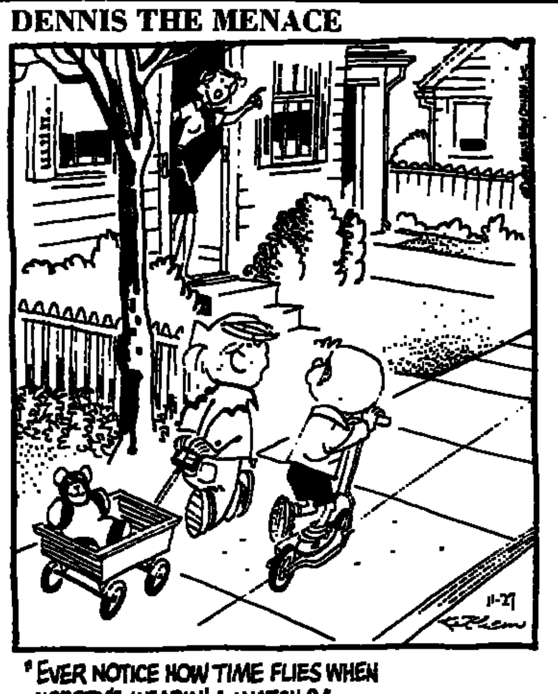
ACROSS

1 Phrase with a solidus
6 Record
10 Relative pronoun
13 Crucifixion scene
14 Numerical combining form
15 Molt
16 Varnish ingredient
17 Inert element
18 Tailless amphibian
19 Erstwhile rock 'n' roller
22 Birthplace of St. Francis
23 Mortimer's friend
25 Net judges' calls
26 Successor to J.A.G.
29 Fred and Mel
30 Winners at the polls
31 Sorts
33 Rocky shelf
34 The Polkas' comic-strip daughter
36 Spain's Gulf of ——
39 Combining form of interest to a chiropractor
40 Biblical king
43 Devious plan
45 Latin affirmative
46 He wrote "Moses"
47 Earthy
49 City of a famous edict
51 Site of a Sioux victory
54 Ice-cream holder
55 Most common metal
56 Gives off
58 Certain Amerinds
59 —— Fein
60 Assistants
61 Feminine suffix
62 Sawbucks
63 Settlement documents

DOWN

1 The "cruellest" mo.
2 Television surveyor
3 Ceases
4 Inflammation of the ear
5 Declaims violently
6 Completed
7 Cake decorator
8 Zeno disciple
9 Anatomical shell-like structure
10 Designed like a fingerprint
11 Paragraph topper
12 Singular
15 Hollywood hopeful
20 Lawful
21 Call to the hounds
22 Clay, later
24 Dir. from Salt Lake City to Denver
27 Formicary denizens
28 Two-time loser to Dwight
31 Fate
32 Shakers, for example
34 Ophelia's brother
35 Sturm und ——
36 Q-U connection
37 American cats
38 Pilgrims' destinations
40 Straddling
41 Like a sachet
42 Cries of surprise
44 Volunteer
46 Lack of identity
48 Uncanny
50 In the lead
52 Capital of the B.R.D.
53 Admiral Benbow, etc.
54 Equipment for Mosconi
57 Draft org.

DENNIS THE MENACE



"EVER NOTICE HOW TIME FLIES WHEN NOBODY'S WEARIN' A WATCH?"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

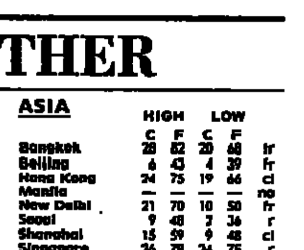
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

YEVAH

TAMID

YURTIP

INKELT



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:

(Answers tomorrow)

Yesterday's Jumbles: HOVEL BISON ECZEMA SUBURB
Answer: What a garbage truck is—A MESS "HAUL"

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Algarve	19	66	14	57	fr
Amsterdam	10	50	5	41	fr
Athens	21	70	11	52	cl
Barcelona	21	70	8	46	fr
Belgrade	19	66	5	41	fr
Berlin	10	50	7	45	o
Brussels	9	48	5	41	fr
Bucharest	15	59	1	34	o
Budapest	10	50	5	41	fo
Copenhagen	8	46	5	41	fr
Costa Del Sol	19	66	10	50	o
Dublin	8	46	0	32	o
Edinburgh	9	48	4	39	fr
Florence	17	63	12	54	cl
Frankfurt	11	52	8	46	cl
Geneva	10	50	8	46	r
Helsinki	-5	23	-6	21	o
Istanbul	15	59	9	48	fo
Las Palmas	23	73	19	66	fr
Lisbon	16	61	12	54	fr
London	8	46	2	36	fr
Madrid	14	57	6	43	fr
Milan	12	54	9	48	fo
Moscow	-1	30	-1	30	o
Munich	8	46	6	43	r
Nice	18	64	11	57	cl
Oslo	2	36	-3	26	cl
Paris	10	50	9	48	cl
Prague	10	50	6	43	o
Reykjavik	6	43	0	32	r
Rome	20	68	10	50	o
Stockholm	3	38	2	36	o
Strasbourg	10	50	8	46	r
Venice	11	52	6	43	fo
Vienna	12	54	7	45	o
Warsaw	9	48	5	41	cl
Zurich	10	50	7	45	r

MIDDLE EAST

	HIGH C	HIGH F	LOW C	LOW F	
Ankara	12	54	-3	26	fo
Beirut	22	72	14	57	fr
Damascus	21	70	3	38	fr
Jerusalem	19	66	8	46	fr
Tel Aviv	24	75	10	50	fr

OCEANIA

	HIGH C	HIGH F	LOW C	LOW F	
Auckland	17	63	14	57	sh
Sydney	20	68	15	59	sh

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	28	82	20	68	fr
Beijing	6	43	4	39	fr
Hong Kong	24	75	19	66	cl
Manila	—	—	—	—	na
New Delhi	21	70	10	50	fr
Seoul	9	48	2	36	r
Shanghai	15	59	9	48	cl
Singapore	26	79	24	75	r
Taipei	20	68	17	63	cl
Tokyo	10	50	7	45	fr

AFRICA

	HIGH C	HIGH F	LOW C	LOW F	
Algiers	21	70	6	43	fr
Cairo	21	70	12	54	fr
Cape Town	24	75	13	55	fr
Casablanca	20	68	13	55	o
Harare	20	68	17	63	r
Lagos	28	82	25	77	cl
Nairobi	24	75	15	59	cl
Tunis	23	73	10	50	cl

LATIN AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Buenos Aires	27	81	16	61	fr
Lima	26	79	15	59	o
Mexico City	23	73	5	41	fr
Rio de Janeiro	30	86	21	70	o
Sao Paulo	—	—	—	—	na

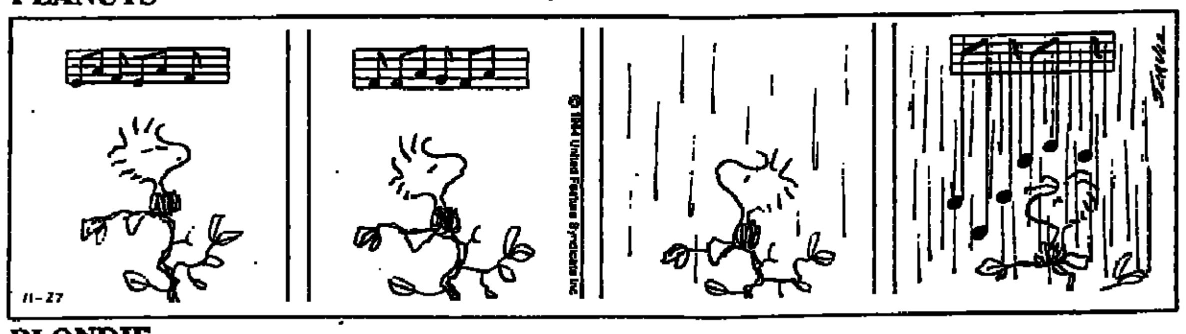
NORTH AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Anchorage	-7	19	-12	10	pc
Atlanta	20	68	4	39	pc
Boston	15	59	2	36	fr
Chicago	16	61	2	36	pc
Denver	1	34	-10	14	cl
Detroit	15	59	1	34	pc
Honolulu	28	82	21	70	sh
Houston	22	72	14	57	pc
Los Angeles	21	70	8	46	fr
Miami	25	77	18	64	fr
Minneapolis	7	45	4	39	cl
Montreal	2	36	0	32	cl
Nassau	26	79	21	70	fr
New York	15	59	5	41	fr
San Francisco	14	57	8	46	r
Seattle	8	46	0	32	pc
Toronto	11	52	-3	26	fr
Washington	19	66	4	39	fr

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

TUESDAY'S FORECAST — CHANNEL: Rough. FRANKFURT: Fair. Temp. 8—0 (46—32). LONDON: Overcast. Temp. 12—4 (54—39). MADRID: Fair. Temp. 14—5 (57—41). NEW YORK: Fair. Temp. 18—8 (64—46). PARIS: Fair. Temp. 10—2 (50—36). ROME: Overcast. Temp. 17—11 (63—52). TEL AVIV: Fair. Temp. 23—12 (73—54). ZURICH: Fair. Temp. 7—0 (45—32). BANGKOK: Foggy. Temp. 30—19 (86—66). HONG KONG: Fair. Temp. 22—17 (72—63). MANILA: Rain. Temp. 27—14 (81—57). SEOUL: Rain. Temp. 9—1 (48—34). SINGAPORE: Showers. Temp. 26—23 (79—73). TOKYO: Foggy. Temp. 10—4 (50—39).

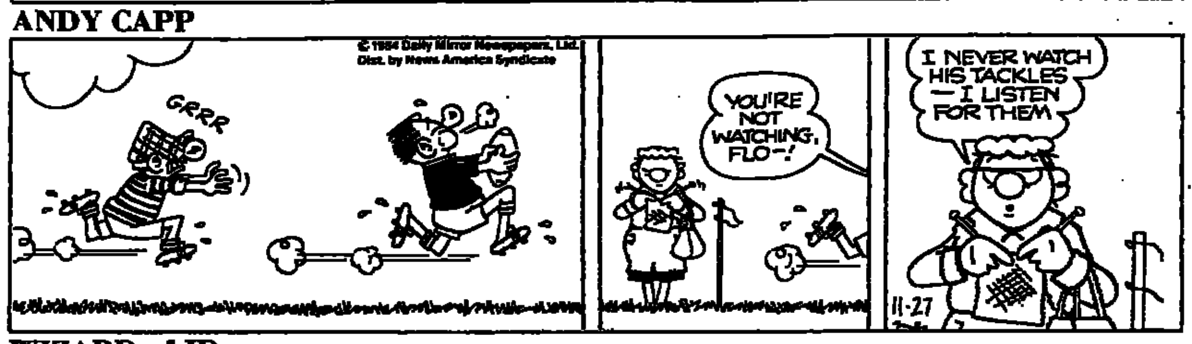
PEANUTS



BLONDIE

BEETLE BAILEY

ANDY CAPP



WIZARD of ID

REX MORGAN

GARFIELD

BOOKS

WHAT IS THE TRUTH?

By Ted Hughes. 127 pp. $17.95 hardback, $12.95 paperback.
Harper & Row, 10 East 53d Street, New York, N.Y. 10022.

Reviewed by Richard Eder

TED HUGHES' book of poems is subtitled "A Farmyard Fable for the Young," but it is no more and no less for children than "Songs of Innocence" is. It is for the child that awakes inside us at naked moments, and up-ends us.

"What Is the Truth?" is ostensibly about animals. In fact, and in a startling fashion, it is about the animals that lived in our world when we were young enough to regard them as fellow sojourners. Hughes uses the childlike as Blake did: to propel us back into the universe. He returns us to a sensibility we left behind but that continues to stalk us at a distance. His poems leap out and seize us from behind.

Hughes is a totemist, as a child or a countryman is a totemist. It is a hard vision to communicate, and the wonder of his poems is that he does it so powerfully and without archness or forced mysticism, because his structure risks both.

It is a conversation on a hilltop between God and his Son, on one side, and the sleeping spirits of a farmer, his wife, son and daughter, a shepherd, a poacher, a schoolteacher and a parson on the other. The meeting is a kind of challenge. God's Son is entranced with men and women and wants to hear the truth from them. God, pompous and perfect, is certain they can't tell him anything he is not already author of.

Prompted by questions, the country people speak of what they know: the animals that share their world. They talk of visible shapes and habits and of the boundless hidden meanings that each animal is a sign for. Hughes is a veteran English poet, as counter, spare and strange as Gerard Manley Hopkins once wished the world; and with a language that is funny, earthy and lyrical by turns.

And what animals these are, summoned up by his country people. Here is the mouse. "Funny, too, how they smell like lions; did you ever smell lions in a zoo?" the farmer remarks. It is an outrageous comparison, yet, to anyone who has sensed mice in his house, precise. Then these precisions, like stones dropped in a pond, breed expanding rings of fantasy. A mouse reminds you of elephants, the farmer continues — long face, the tail like a trunk at the wrong end, shapeless ears — "except his size of course, but that reminds you of elephants too." A wacky magic has just sneaked in, dressed in plainclothes.

Some animals are barely touched on, for some grace or particularity. Partridges "running on their bumpy little wheels." The donkey, "The color of a prehistoric desert," with "his quite small body, tough and tight and useful, like traveler's luggage."

Others recur as if they were key to some fundamental force of life. The badger, for example, begins as the boy's pet, seen in a Leicester pet shop. "Moony mask behind mesh" he recalls:

Her power-tools
Her miniature grizzly bear feet
Feet like little garden-forks, had to be satisfied
Being just feet
Trudging to-fro, to-fro in her tight cage.
Then he comes back, wild, the foreman of the fields, "Heavy pudding of night solid in him . . . with his burglar's mask on and his crowbar under his moonlight cloak.

The talk goes on, shifting, shooting, unexpected, and climaxes in the agonizing death of a hunted fox. More than the fox is dying; life and beauty is. And what Hughes is writing is not simply animals, splendid as he is at them. He is writing of mankind's magical faculty — now lost? — for imagining a cosmos built out of the things it sees day by day.

God wins his argument by summing up the partial versions in the Complete Truth He has known all along. "I am that Foal. And I am the Cow. I'm the Weasel and the Mouse. The Wood Pigeon and the Partridge . . ." The variety of existence has been subsumed into the kind of abstraction that men use to vanquish their insights.

God's Son stays behind, though, watching the rooftops emerge one by one from the morning mist. Hughes, like Hopkins, is on the side of dappled things.

Richard Eder is on the staff of the Los Angeles Times.

CHESS

By Robert Byrne

HERE is the finest performance of Igor Ivanov, in the Grand Manan Fall Classic Tournament in New Brunswick, Canada. It came at the expense of the Dutch grandmaster, John Van der Wiel.

Ivanov's 6 . . . Q-N3 is rarely seen against the Richter-Rauzer Attack, yet there is no known refutation of the move. Black puts his queen in a slightly awkward spot for the sake of eliciting a knight retreat.

On 7 N-N3, P-K3, I used the main line 8 B-Q3, B-K2; 9 0-0, P-QR3; 10 K-R1, Q-B2 successfully against Joel Benjamin in the 1984 United States Championship in Berkeley. Van der Wiel's alternative, 8 P-QR4, is a comparatively new attempt to tackle the problems posed by the Black formation.

Its principal idea is to constrict the black queenside with 9 P-R5, which meant that Black must be on the alert for a timely attack by N-N5, since this cannot be prevented by . . . P-QR3 without leaving a serious hole at Black's QN3.

Ivanov mightily resisted creating such a weakness — even after 19 Q-N1, he refused to be pressured in 19 . . . P-QR3 but defended tactically with 19 . . . B-K3! so that 20 BxQRP could be answered by 20 . . . NxBP!, 21 RxN, BxN.

Van der Wiel could have had an even end game by 22 RxN, BxN; 23 R-B4, BxQB, 24 RxQ, BxQ; 25 KxB, BxB; 26 PxB, PxP, but he was enticed by 22 PxP, PxP; 23 RxR, RxR; 24 N/5-R4 and its prospect of winning the QNP.

As Ivanov cleverly showed with 24 . . . NxBP!, it was not that easy: 25 RxN was, of course, to be met by 25 . . . RxN. After 25 BxNP, Black had a slight positional advantage in that the white pawns were scattered into three separate islands.

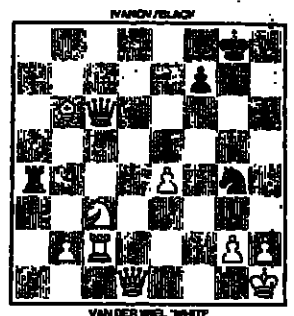
Surely, after 25 . . . Q-B3, Van der Wiel should have steadied his defenses with 26 RxN, RxN; 27 B-K3. Instead, his 26 BxB?!, NxB; 27 RxN, RxN; 28 Q-Q1? plunged him into deep trouble.

Ivanov began a decisive combination with 28 . . . QxB!, giving Van der Wiel little choice, since 29 QxN flatly loses to 29 . . . R-R8ch; 30 N-Q1, Q-Q5.

After 29 NxR, Q-N6!, Black threatened not only 30 . . . QxN, but also 30 . . . N-B7ch! as well as 30 . . . N-K6. Doubtless the longest and toughest resistance now lay in 30 QxN, QxR; 31 N-B3, QxNP; 32 N-Q1.

On 30 N-B5?, the precise point of Ivanov's 30 . . . N-B7ch!; 31 K-N1, BxN was that, after 32 Q-Q8ch, K-R2, Van der Wiel could not play 33 RxB (nor 33 RxN, QxP; 34 Q-R4, Q-B8mate) because of 33 . . . Q-K6!, simultaneously threatening mate and the rook.

IVANOV/BLACK



VAN DER WIEL/WHITE

Position after 28 Q-Q1

There was no reason why Ivanov could not capture immediately with 34 . . . QxR, since 35 Q-B5ch, P-N3!; 36 QxBPch, K-R1; 37 Q-K8ch, K-N2; 38 QxKPch, N-B3; 39 Q-B7ch, K-B1; 40 Q-Q8ch, N-K1 breaks up an attempt for a perpetual check.

Maybe Ivanov was in time pressure and chose 34 . . . N-N6ch so that after 35 PxN, QxR White would face the threat of mate without even one check. At any rate, Van der Wiel now gave up the hopeless game.

SICILIAN DEFENSE

	White Van der Wiel	Black Ivanov		White Van der Wiel	Black Ivanov
1	P-K4	P-QB4	19	Q-KN1	B-K3
2	N-KB3	P-Q3	20	N-B5	B-N5
3	P-Q4	PxP	21	R-R4	P-QN3
4	NxP	N-KB3	22	PxP	PxP
5	N-QB3	N-B3	23	RxR	RxR
6	B-KN5	Q-N3	24	N/5-R4	NxBP
7	N-N3	P-K3	25	BxNP	Q-B3
8	P-QR4	B-K2	26	BxB	NxB
9	P-R5	Q-Q1	27	RxN	RxN
10	B-K2	0-0	28	Q-Q1	QxB
11	0-0	P-KR3	29	NxR	Q-N6
12	B-K3	B-Q2	30	N-B5	N-B7ch
13	P-B4	N-QN5	31	K-N1	BxN
14	B-B3	P-K4	32	Q-Q8ch	K-R2
15	B-B2	Q-B2	33	Q-Q7	NxPch
16	R-QB	KR-K1	34	K-B1	N-N6ch
17	K-R1	B-KB1	35	Resigns	
18	PxP	PxP			

Canadian Stock Markets Nov. 23

Prices in Canadian cents unless marked $

Toronto

Montreal

Canadian Indexes Nov. 26

Other Markets Nov. 26

Closing Prices in local currencies

Amsterdam

Brussels

Frankfurt

Hong Kong

Johannesburg

London

Milan

Paris

Singapore

Stockholm

Sydney

Tokyo

Zurich

Solution to Previous Puzzle

SPAR CREW PEAS
ANISE HATE RIVE
COLIC EPEE IRON
TRADE FIRMAMENT
STRESS ENSUE
SPORE DRAFT
BACH RDS LIABLE
ENLACED BOOTEES
STAPLE MET ETAT
TAMPA ROGUE
INCUR SMOOTH
MOONSHINE BLARE
ABLE UNIT LITER
TOGS TENT EVENS
ALAS EDGE MEND

11/27/84

SPORTS

United Press International

Seahawk Terry Taylor's rolling tackle upended Gene Lang late in the fourth period Sunday.

Nicklaus Wins $240,000 With 8-Foot Putt

By Dave Anderson
New York Times Service

SCOTTSDALE, Arizona — Through the years, Jack Nicklaus has had a reputation not only as the best golfer in history but also as the best pressure putter.

If you had to choose a golfer to make an 8-footer for your life, other pros often joked, you would want Nicklaus over the ball. Nobody's life was at stake Sunday on the 18th green at Desert Highlands in the Skins Game — only $240,000 was at stake — but Nicklaus made an 8-footer.

He also made a crucial 8-footer on the 16th green and another crucial 8-footer on the 17th, putts that created his $240,000 putt on the final green.

"I made one to tie Gary at 16, I made one to tie Tom at 17," he said. "And then I made one for myself."

On the par-5, 524-yard 18th, Tom Watson, Gary Player and Arnold Palmer had all missed birdie putts and tapped in for par. If Nicklaus missed, the foursome would go to an extra hole for the $240,000 that had accumulated throughout the back nine under the carryover format of this shootout in the cactus overlooking Phoenix.

"I think I'll take another look at this," said Nicklaus.

Moments later, he hunched over his ball and tapped it. When it clunked into the cup, he tossed his putter high in the air behind him and then tossed the ball toward the gallery of about 1,000 that surrounded the 18th green.

Nicklaus agreed that there "was no comparison" between his $240,000 jackpot and any of his record 19 major championships. But he acknowledged that pride was at stake.

"Nobody wanted to be shut out," he said of himself, Palmer and Player. "After 17, we knew two people would be shut out, maybe three."

On the first nine Saturday, all $120,000 had been won by Watson, who walked onto the 18th green with a chance to win the entire $360,000 in prize money. In the Skins Game format, each of the first six holes are worth $10,000, each of the second six $20,000 and each of the last six $30,000 — with carryovers. And when Nicklaus made his putt on the 18th green, Palmer and Player were indeed shut out.

"It was the pride of four good players," Nicklaus said. "All our personal pride and our egos. Nobody likes to be embarrassed."

Nicklaus especially wanted to avoid embarrassment. He didn't want to be shut out in the Skins Game — not after having failed to win a major championship since 1980, not at age 44 and not on a course he designed.

Nicklaus underwent arthroscopic surgery on his left knee less than three weeks ago. "I had my operation," he said, "so I could play here."

But throughout the two days, he couldn't squat to line up a putt. In reading the greens, he kept his left knee as straight as possible while leaning back as low as he could to judge the lines of his putts. Crouching behind him was his 23-year-old son Jackie, his caddie.

"We both read the last three putts the same," he said.

"Each one broke slightly to the left — at 16 the line was to the top of the cup, then 17 and 18 were exactly the same, to the right-center of the cup."

His decision to have knee surgery was made after he played Desert Highlands three weeks ago. "The doctor told me that what was wrong with my knee was the same thing that's wrong with the knees of baseball catchers who squat for pitches," he said. "I've been squatting the same way to read putts all these years."

In trying to read the line of the most expensive putt he's ever made, Nicklaus couldn't hunker down. He just leaned back as low as possible. And he swung differently on his other shots.

Watching a videotape of himself after spraying several shots during Saturday's front nine, he noticed he had been locking his left knee in order to protect it from twisting.

"I decided to keep my left knee straight over my left foot. I couldn't clear my left side to allow myself to get a full release."

Even with a scarred knee, Nicklaus found a way to win, assuring his return to Desert Highlands next year as the defending champion.

This year and last, the same four golfers were invited, but next year the PGA will create a new qualifying format. In addition to the defending champion and one golfer selected by the event's sponsors, the PGA plans to invite two others — the winner of a public vote (similar to baseball's All-Star Game ballot) and the leading money-winner in a proposed weekly skins game on the Tuesday of each PGA tour tournament.

AP

Jack Nicklaus on the 18th.

Minter Sisters Among Victors At Outset of Australian Open

The Associated Press

MELBOURNE — Sisters Anne and Liz Minter, playing in front of a hometown crowd, both were winners during Monday's opening day of the Australian Open tennis championships.

Anne Minter, 21, ousted 11th-seeded Catarina Lindqvist of Sweden, 6-0, 3-6, 6-2, while Liz Minter, a 19-year-old left-hander, defeated No. 14 seed Alycia Moulton of the United States, 4-6, 6-3, 8-6.

Carling Bassett of Canada, the No. 7 seed, also tumbled out of the tournament by losing, 6-1, 4-6, 6-4, to unheralded South African Beverly Mould.

Four other seeds successfully negotiated the opening round of the women's singles.

Eighth-seeded Andrea Temesvari of Hungary downed Australian Louise Field, 6-4, 6-4; 13th-seeded Jo Durie of Britain beat American Anne White 6-3, 5-7, 6-0; No. 15 Kathy Rinaldi of the United States crushed Briton Annabel Croft, 6-4, 6-2, and 16th-seeded Steffi Graf of West Germany bested American Sandy Collins, 6-2, 6-4.

The tournament got off to a low-key start in hot, windy conditions with the top players in both the men's and women's singles taking the day off.

Martina Navratilova, the top seed in the women's singles and aiming for a seventh consecutive grand slam tournament victory and the 100th triumph of her career, will play Yvonne Vermaak of South Africa in her opening match Wednesday.

Top-seeded Ivan Lendl of Czechoslovakia and defending champion Mats Wilander of Sweden both have first round byes in the men's singles and also will not see action until Wednesday.

Anne Minter, a three-time winner of the Australian Open junior title, used her grass-court experience to great advantage and overpowered Lindqvist in the final set. Ranked 48th in the world, she displayed great confidence; Lindqvist, ranked 30 places higher on the computer, was not able to dictate the pace.

In downing the tall, big-serving Moulton, Liz Minter gained her first-ever victory in a grand-slam tournament.

"It was a big day for the family," she said. "Anne and I are each other's biggest fans."

Bassett's defeat at the hands of Mould, ranked 63d in the world and best known as a doubles player, served to confirm the teen-age Canadian's inability to master grass-court play.

"Grass is my worst surface," she said after her defeat. "No matter who I play, I'm still not confident. You should have the experience of playing on grass if you want to be a great player, so I'll keep on trying — but it's not fun."

It was the first time the 22-year-old Mould had beaten a top-10 player.

Durie, who has slipped in the rankings during the past 12 months, looked as if she might join Bassett, Lindqvist and Moulton as first-round victims but fought back well against White after dropping the second set.

Krieg Paces Seattle Past Broncos, 27-24

Compiled by Our Staff From Dispatches

DENVER — Dave Krieg passed for 406 yards and three touchdowns, and receiver Steve Largent had his biggest day as a pro as the Seattle Seahawks registered a 27-24 National Football League victory over the Denver Broncos here Sunday.

Seattle's seventh straight victory broke the Broncos' 10-game winning streak and, with three games left in the season, moved the Seahawks into a first-place tie with Denver in the American Conference West.

The teams meet again in Seattle on Dec. 15.

Krieg completed 30 of 44 passes — 12 of them to Largent for a total of 191 yards — in windy Mile High Stadium. Largent, a 10-year veteran, slipped away from safety Tim Foley and snared a 3-yard touchdown pass that broke a 17-17 tie in the fourth quarter. Norm Johnson kicked a 28-yard field goal with 6:32 left to give Seattle a 10-point lead.

Denver closed to within three points when quarterback John Elway hit Gene Lang on a nine-yard TD pass play.

Elway drove the Broncos into position for a potential game-tying 25-yard field goal with 32 seconds left, but Rich Karlis's kick hit the right upright.

On the game's first play, Krieg hooked up with wide receiver Daryl Turner for an 80-yard scoring pass. Krieg hit runing back David Hughes with a 6-yard scoring pass early in the third period.

Bears 34, Vikings 3

In Minneapolis, Steve Fuller threw two touchdown passes and Chicago's defense smothered Minnesota in a 34-3 rout that gave the Bears the championship of the NFC's Central Division. It was Chicago's first title of any kind since 1963. Walter Payton rushed for 117 yards on 23 carries and scored once for the 9-4 Bears.

49ers 35, Saints 3

In New Orleans, Joe Montana threw two touchdown passes, Todd Shell returned an interception 47 yards for a score and the San

NFL ROUNDUP

Francisco defense recorded eight sacks as the 49ers upended the Saints, 35-3.

Giants 28, Chiefs 27

In East Rutherford, New Jersey, Phil Simms threw two TD passes in the final 7:30 to give the New York Giants a 28-27 decision over Kansas City and keep the Giants tied for first in the NFC East with Washington and Dallas.

Redskins 41, Bills 14

In Washington, Joe Theismann's TD passes of 11 yards to Art Monk and 18 yards to Charlie Brown highlighted the Redskins' 41-14 trouncing of Buffalo. Theismann completed 26 of 33 passes for 311 yards; raising his career total to 22,705 yards, he overtook Sonny Jurgensen as Washington's all-time leader. Jurgenson passed for 22,585 yards.

Rams 34, Buccaneers 33

In Tampa, Florida, Eric Dickerson ran for 191 yards and scored three touchdowns in helping the Los Angeles Rams to a 34-33 squeaker over Tampa Bay.

Cardinals 17, Eagles 16

In St. Louis, Neil O'Donoghue kicked a 44-yard field goal with eight seconds remaining to lift the Cardinals past Philadelphia, 17-16. Eagle quarterback Ron Jaworski suffered a broken left ankle when he was sacked on the third play of the game. Jaworski, who had started 116 straight games, had passed for 2,754 yards for this season, with 16 touchdowns and a completion percentage of 54.8.

Steelers 52, Chargers 24

In Pittsburgh, Mark Malone hit John Stallworth on three of his four touchdown passes as the Steelers trounced San Diego, 52-24. The losers' Charlie Joiner broke the NFL career-receptions record with six catches. Joiner has 651 receptions lifetime; the record of 649 had been held by Charley Taylor of Washington.

Raiders 21, Colts 7

In Los Angeles, Marc Wilson passed for two first-half touchdowns and ran for another score as the Raiders defeated Indianapolis, 21-7. The Colts crossed midfield only twice.

Bengals 35, Falcons 14

In Cincinnati, Turk Schonert completed 20 of 23 passes for 288 yards, including scoring strikes of 57 and 20 yards to Cris Collinsworth, in sparking the Bengals to a 35-14 rout of Atlanta.

Browns 27, Oilers 10

In Cleveland, Paul McDonald threw three touchdown passes — two to rookie Brian Brennan — as the Browns beat Houston, 27-10. Cleveland's defense held Oiler quarterback Warren Moon to 84 yards passing. *(UPI, AP)*

Cavaliers Hold Off Hawks for 2d Triumph of Year

The Associated Press

RICHFIELD, Ohio — The Cleveland Cavaliers, with some surprise help from unheralded reserve center Mark West, have again

NBA FOCUS

tasted victory — a rare treat for the team at the bottom of the National Basketball Association's Central Division.

The Atlanta Hawks nearly snatched away a victory, but Cleveland withstood two late Atlanta surges for the 118-111 triumph Sunday night.

Elsewhere it was the Los Angeles Clippers 114, Phoenix 109, and Seattle 105, the Los Angeles Lakers 94.

Cleveland had lost three straight games since recording its only other victory of the year — in Atlanta on Nov. 15.

The Hawks had won their three games between the two meetings with the Cavaliers.

"We got whipped good," said Atlanta Coach Mike Fratello. "They beat us up front and the guards beat us in the backcourt. Obviously, West comes and plays probably his best NBA career game. We got nothing from our center position."

West, a 6-10 center in his second game as a member of the Cavaliers and in his second season in the league, scored 16 points off the bench, his career-best performance.

"Right now I'm still in a learning process," West said. "It may not have looked like it, but I made a lot of mistakes on offense tonight. One game doesn't make a season or a career."

Atlanta wiped out a 17-point deficit in the fourth quarter but could not sustain that momentum as Johnny Davis — dealt by Atlanta to Cleveland in the off-season — provided the key points down the stretch.

Eight Cavaliers scored in double-figures, Davis leading the way with 20 points.

The Cavaliers led, 60-56, at halftime before racing to a 95-78 lead at the end of three quarters. Cleveland led, 100-84, with 10:15 remaining, but Dominique Wilkins scored eight of his game-high 25 points to spark a 17-0 run that culminated in a 101-100 Atlanta lead on Mike Glenn's jump shot with 6:45 to go.

"That streak was pretty good, but our players didn't complete what they started," said Fratello. "I was pleased with our comeback, but we should never have let them take that kind of lead in the first place."

"No question about it, the key was their 17-point lead," Wilkins said.

"Then we wanted to pressure them every time after we made a shot. We just didn't fully capitalize. We did get a tempo going our way, but made a lot of mistakes that took us out at the end."

Davis put in seven points as Cleveland outscored Atlanta, 12-3, over the next 4½ minutes to take a 112-104 lead. Atlanta again rallied to trail by two, 113-111, as Sly Williams made a foul shot with 27 seconds remaining. But John Bagley sank two foul shots, Phil Hubbard added a free throw and Mel Turpin made a dunk shot to seal Cleveland's first home victory of the season.

"Basketball is a game of momentum," observed Davis. "We made our run early and they made theirs late, but I'd much rather be up 17 than be down 17 and hope you can rally."

Hubbard scored 17 points, and Turpin and Roy Hinson each had 15 for the winners. Williams and Eddie Johnson each scored 20 for Atlanta.

Kasper's Hat Trick Keys Bruin Victory

United Press International

BOSTON — Steve Kasper makes his living preventing goals, not scoring them. He's a defensive specialist, always assigned to the opposition's highest-scoring center. But Kasper changed roles in a hurry Sunday night, registering his first National Hockey League hat trick and adding an assist to power the Boston Bruins to a fight-filled 7-4 thrashing of the Montreal Canadiens.

Kasper scored 41 goals over his first two years in the league before shoulder injuries limited him to 51 games during the last two seasons. In this year's first 20 games, Kasper

NHL FOCUS

had just one goal and four assists. "It feels good when you score," he said after Boston snapped a three-game losing streak. "The goals just hadn't been coming. It's a funny game. Goals come in spurts."

Elsewhere it was Quebec 3, the New York Rangers 2 in overtime; Washington 5, Chicago 0, and Calgary 4, Vancouver 2.

After Bob Gainey and Rick Middleton traded goals in the game's first 5:35, Kasper scored twice in a 1:53 span bridging the first two periods to give the Bruins the lead for good.

Kasper tallied with 52 seconds left in the first period and then took a between-the-legs pass from Middleton before beating Steve Penney with a short-handed goal 1:01 into the middle period.

Just 39 seconds after Mats Naslund had cut the deficit to 3-2 with his ninth goal in his last eight games, Kasper threw a pass out from behind the Montreal net that Mike O'Connell blasted home at 9:59. Kasper then broke down the right side and finished off his hat trick at 13:10.

Tom Fergus and Keith Crowder scored in the first 4:34 of a wild third period to break things wide open.

The Canadiens got power-play goals from Craig Ludwig and Chris Chelios to make things respectable.

Crowder added two assists for the Bruins while Ray Bourque — who has registered at least one point in his last 14 games — and Louis Sleigher, Kasper's linemate, had three assists apiece.

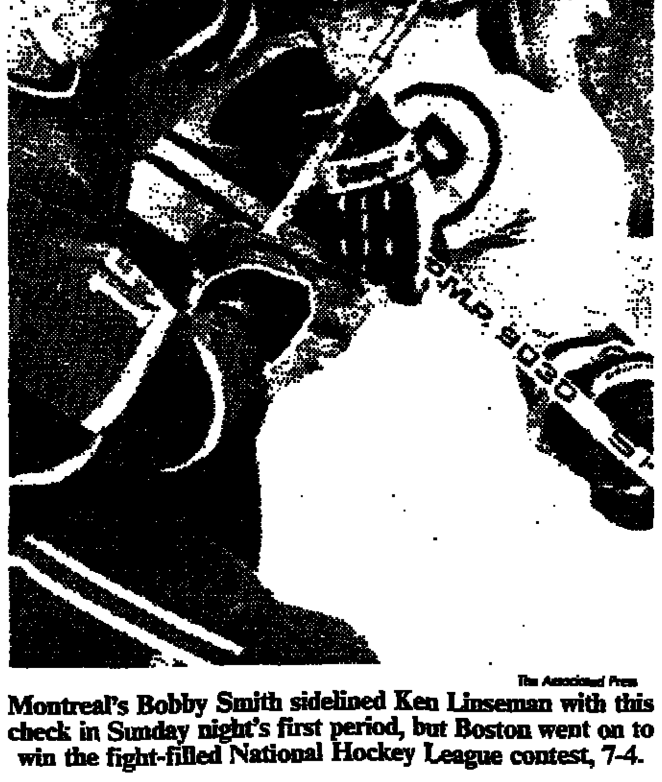
The game was a chippy affair through the first two periods and then erupted in the third. Seven fights broke out, with referee Terry Gregson calling 93 of the game's 113 penalty minutes in the final period.

Boston center Ken Linseman, who assisted on Middleton's goal, wasn't around for the fighting. He was taken to Massachusetts General Hospital for X-rays of his left shoulder after taking a heavy first-period check from Bobby Smith. The X-rays were negative.

The Adams Division-leading Canadiens kept steady pressure on goalie Doug Keans throughout, but Montreal Coach Jacques Lemaire wasn't pleased with the effort.

"We came out flat, and it took awhile for us to get started," Lemaire said.

"You can't give Boston four or five goals and then begin to play. They're too good a team."



The Associated Press

Montreal's Bobby Smith sidelined Ken Linseman with this check in Sunday night's first period, but Boston went on to win the fight-filled National Hockey League contest, 7-4.

SCOREBOARD

Hockey

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
Philadelphia	13	3	4	30	95	54
N.Y. Islanders	13	7	1	27	111	90
Washington	7	8	5	19	70	70
N.Y. Rangers	8	10	1	17	75	88
Pittsburgh	6	11	2	14	70	88
New Jersey	5	12	2	12	63	84
Adams Division						
Montreal	13	5	2	28	79	62
Quebec	11	10	1	23	84	81
Boston	11	9	1	23	79	67
Buffalo	9	10	2	20	83	77
Hartford	8	9	3	19	66	83
CAMPBELL CONFERENCE						
Norris Division						
Chicago	10	10	2	22	89	83
Minnesota	7	9	5	19	78	88
St. Louis	9	9	1	19	70	72
Detroit	6	12	2	14	75	97
Toronto	4	14	3	11	67	100
Smythe Division						
Edmonton	15	3	3	33	111	66
Calgary	13	8	1	27	108	83
Los Angeles	10	8	3	23	87	81
Winnipeg	10	8	2	22	85	76
Vancouver	4	17	2	10	74	135

SUNDAY'S RESULTS

Quebec	2	0	0	1—3
N.Y. Rangers	1	1	0	0—2

Souve (2), Savard (6), Hunter (3); Rogers (8), Hedberg (8). Shots on goal: Quebec (on Hanlon) 20-7-7-3—37; New York (on Bouchard) 12-11-11-1—35.

Montreal	1	1	2—4
Boston	2	3	2—7

Middleton (10), Kasper 3 (4), O'Connell (7), Fergus (12), Crowder (5); Gainey (7), Naslund (11), Ludwig (2), Chelios (3). Shots on goal: Montreal (on Keans) 8-12-14—34; Boston (on Penney) 14-15-8—37.

Chicago	0	0	0—0
Washington	1	0	4—5

Laughlin (3), Christian (4), Gartner (13), Veitch (1), Murphy (1). Shots on goal: Chicago (on Riggin) 7-12-4—23; Washington (on Bannerman) 14-7-20—41.

Calgary	1	1	2—4
Vancouver	0	0	2—2

Tambellini (11), Nilsson (10), Loob 2 (9); Halward (2), Lemay (8). Shots on goal: Calgary (on Caprice) 10-6-10—26; Vancouver (on Lemelin) 10-7-12—29.

Basketball

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Boston	11	1	.917	—
Philadelphia	9	4	.692	2½
Washington	10	6	.625	3
New York	7	9	.438	6
New Jersey	6	8	.429	6
Central Division				
Milwaukee	10	5	.667	—
Chicago	8	7	.533	2
Detroit	7	8	.467	3
Atlanta	6	8	.429	3½
Indiana	4	11	.267	6
Cleveland	2	12	.143	7½
WESTERN CONFERENCE				
Midwest Division				
Denver	11	2	.846	—
Houston	10	4	.714	1½
Dallas	8	7	.533	4
Utah	8	7	.533	4
San Antonio	6	8	.429	5½
Kansas City	3	10	.231	8
Pacific Division				
L.A. Lakers	10	6	.625	—
Portland	9	6	.600	½
Phoenix	8	8	.500	2
Seattle	5	9	.357	4
L.A. Clippers	5	10	.333	4½
Golden State	4	11	.266	5½

SUNDAY'S RESULTS

Atlanta	29	27	22	33—111
Cleveland	31	29	35	23—118

Davis 7-16 6-7 20, Hubbard 5-13 7-9 17; Wilkins 12-22 1-2 25, Williams 6-14 8-11 20, Johnson 8-16 4-5 20. Rebounds: Atlanta 56 (Willis 9); Cleveland 56 (Turpin 9). Assists: Atlanta 24 (Johnson 10); Cleveland 35 (Bagley 13).

Phoenix	29	31	28	21—109
L.A. Clippers	28	39	29	18—114

Nixon 11-20 1-1 23, Smith 9-13 5-8 23, M.Johnson 9-14 1-6 19; Edwards 9-18 4-8 22, Adams 7-8 3-3 17. Rebounds: Phoenix 44 (Lucas 12); L.A. Clippers 49 (Nixon, Donaldson 7). Assists: Phoenix 23 (Holton 8); L.A. Clipper 27 (Nixon 8).

Seattle	30	24	25	26—105
L.A. Lakers	34	20	21	19—94

Sobers 10-15 3-3 23, Chambers 6-13 7-9 19; Abdul-Jabbar 8-16 7-8 23, McGee 8-12 1-1 17. Rebounds: Seattle 45 (Vranes, Sikma 9); L.A. Lakers 54 (Abdul-Jabbar 14). Assists: Seattle 26 (Sikma 10); L.A. Lakers 21 (Cooper 7).

College Results

GREAT ALASKA SHOOTOUT

Championship

Alabama-Birmingham 50, Kansas 46

Consolation

Illinois 75, Oregon 72 (3 OT)

Fifth place

Maryland 72, Tennessee 49

EAST

Assumption 84, Salem St. 65
Bridgewater St. 78, Babson 65
Clarkson 72, Carleton 68
Colgate 69, Hobart 40
N. Carolina 81, Fordham 65
New Hampshire 130, New England Col. 71
Sacred Heart 89, Hawthorne 68
Suffolk 108, Curry 88
Union 58, RPI 53
Utica Coll. 98, Oswego St. 40

SOUTH

James Madison 67, VMI 63

MIDWEST

Cleveland St. 105, Clarion (Pa.) 65
Notre Dame 67, Manhattan 52
Wisconsin 93, Morgan St. 78

Tennis

Australian Open

MEN'S SINGLES

First Round

Boris Becker, West Germany, def. Rick Meyer, U.S., 6-3, 6-1, 6-3; Guy Forget, France, def. Jeff Turpin, U.S., 6-2, 7-6, 7-5; Stephen Shaw, Britain, def. Damir Keretic, West Germany, 6-3, 7-5, 6-4; Robert Seguso, U.S., def. Peter Doohan, Australia, 7-5, 6-4, 6-7, 6-3; Dale Houston, Australia, def. Craig Miller, Australia, 6-4, 6-4, 6-4.

Marcel Freeman, U.S., def. David Dowlen, U.S., 7-6, 6-2, 6-4; Matt Anger, U.S., def. Randy Nixon, U.S., 6-3, 3-6, 7-6, 6-1; Drew Gitlin, U.S., def. Howard Sands, U.S., 6-3, 6-4, 6-2; John Mattke, U.S., def. Paul Kronk, Australia, 6-4, 4-6, 6-1, 6-2; Hans-Dieter Beutel, West Germany, def. Eric Jelen, West Germany, 4-6, 7-6, 6-4, 6-2.

WOMEN'S SINGLES

First Round

Anne Minter, Australia, def. Catarina Lindqvist, Sweden 6-0, 3-6, 6-2; Marty Davis, U.S., def. Glen Lavendecker, U.S., 6-7, 6-4, 6-3, 6-4; Jo Durie, Britain, def. Anne White, U.S., 6-3, 5-7, 6-0; Pascale Paradis, France, def. Beth Herr, U.S., 6-2, 6-3; Andrea Temesvari, Hungary, def. Louise Field, Australia, 6-4, 6-4; Ros Fairbank, South Africa, def. Carina Karlsson, Sweden, 6-2, 6-4.

Beverley Mould, South Africa, def. Carling Bassett, Canada, 6-1, 4-6, 6-4; Liz Minter, Australia, def. Alycia Moulton, U.S., 4-6, 6-3, 8-6; Jenny Byrne, Australia, def. Shawn Foltz, U.S., 6-1, 7-5; Kathy Rinaldi, U.S., def. Annabel Croft, Britain, 6-4, 6-2; Steffi Graf, West Germany, def. Sandy Collins, U.S., 6-2, 6-4.

Iva Budarova, Czechoslovakia, def. Petra Keppeler, West Germany, 6-2, 6-1; Christiane Jolissaint, Switzerland, def. Tine Scheuer-Larsen, West Germany, 6-1, 7-6; Myriam Schropp, West Germany, def. Catherine Tanvier, France, 6-4, 7-5; Marcella Mesker, Holland, def. Adriana Villagran, Argentina, 6-2, 3-6, 6-3.

Football

Selected U.S. Conference Standings

SOUTHWEST

	Conference W	L	T	Pts	OP	All Games W	L	T	Pts	OP
SMU	6	2	0	198	144	8	2	0	263	157
Texas	5	2	0	157	124	7	2	1	235	169
Houston	5	2	0	135	114	6	4	0	200	196
TCU	5	3	0	224	218	8	3	0	362	249
Arkansas	5	3	0	188	185	7	3	1	253	138
Baylor	4	4	0	182	178	5	6	0	248	261
Texas A&M	2	5	0	128	150	5	5	0	208	205
Texas Tech	2	6	0	112	159	4	7	0	200	212
Rice	0	7	0	124	256	1	9	0	187	344

ATLANTIC COAST

	Conference W	L	T	Pts	OP	All Games W	L	T	Pts	OP
Maryland	6	0	0	245	125	8	3	0	352	253
Clemson	5	2	0	245	150	7	4	0	346	215
Virginia	3	2	2	189	163	7	2	2	298	209
Ga. Tech	3	2	1	142	102	5	4	1	261	183
N.Carolina	3	3	1	131	145	5	5	1	234	274
Wk.Forest	3	4	0	105	161	6	5	0	205	222
N.Caro.St.	1	6	0	131	214	3	8	0	263	311
Duke	1	6	0	88	216	2	9	0	128	301

PACIFIC-10

	Conference W	L	T	Pts	OP	All Games W	L	T	Pts	OP
South. Cal	7	1	0	148	107	8	3	0	200	156
Washngtn	6	1	0	190	103	10	1	0	324	128
UCLA	5	2	0	159	121	8	3	0	236	211
Arizona	5	2	0	148	104	7	4	0	272	192
Wash. St.	4	3	0	232	187	6	5	0	317	319
Ariz. St.	3	4	0	157	92	5	6	0	297	203
Stanford	3	5	0	170	214	5	6	0	239	279
Oregon	3	5	0	156	196	6	5	0	241	247
Oregon St.	1	7	0	81	202	2	9	0	158	279
California	1	8	0	104	219	2	9	0	150	264

SOUTHEASTERN

	Conference W	L	T	Pts	OP	All Games W	L	T	Pts	OP
Florida	5	0	1	167	83	8	1	1	314	153
LSU	4	1	1	153	117	8	2	1	305	198
Auburn	4	1	0	94	80	8	3	0	324	222
Georgia	4	2	0	153	116	7	3	0	228	178
Kentucky	3	3	0	95	141	8	3	0	273	202
Vanderbilt	2	3	0	147	164	5	5	0	263	248
Tennessee	2	3	0	121	133	6	3	1	271	235
Alabama	1	4	0	100	118	4	6	0	209	193
Mississippi	1	5	0	115	148	4	6	1	194	202
Miss. St.	1	5	0	85	130	4	7	0	198	230

WESTERN ATHLETIC

	Conference W	L	T	Pts	OP	All Games W	L	T	Pts	OP
Brig. Young	8	0	0	289	111	12	0	0	432	166
Hawaii	5	2	0	155	116	7	3	0	211	164
Utah	4	3	1	213	157	6	5	1	347	252
Sn.Diego St.	4	3	1	203	165	4	7	1	265	250
Air Force	4	3	0	209	131	7	4	0	346	191
Wyoming	4	4	0	237	217	6	6	0	334	342
Colo. St.	3	5	0	185	267	3	8	0	230	360
New Mex.	1	7	0	132	276	4	8	0	251	359
Tx-ElPaso	1	7	0	130	313	2	9	0	179	374

BIG EIGHT

	Conference W	L	T	Pts	OP	All Games W	L	T	Pts	OP
Nebraska	6	1	0	228	71	9	2	0	359	105
Oklahoma	6	1	0	179	89	9	1	1	289	136
Okla.St.	5	2	0	165	94	9	2	0	291	134
Kansas	4	3	0	148	185	5	6	0	218	298
Missouri	2	4	1	191	190	3	7	1	310	301
Kansas St.	2	4	1	116	201	3	7	1	185	330
Colorado	1	6	0	101	225	1	10	0	172	364
Iowa St.	0	5	2	76	149	2	7	2	149	263

MAJOR INDEPENDENTS

	W	L	T	Pts	OP
S.Carolina	10	1	0	357	237
Boston Col.	8	2	0	359	258
Florida St.	7	2	1	372	210
Vir. Tech	8	3	0	246	127
Rutgers	7	3	0	213	155
Miami,Fla.	8	4	0	365	275
Army	6	3	1	282	201
NotreDame	7	4	0	279	212
W.Virginia	7	4	0	228	156
Penn St.	6	5	0	209	230
SW La.	6	5	0	207	198
Syracuse	6	5	0	151	151
Memph.St.	5	5	1	201	178

NFL Standings

AMERICAN CONFERENCE

East

	W	L	T	Pct.	PF	PA
x-Miami	11	1	0	.917	388	198
New England	8	5	0	.615	319	282
N.Y. Jets	6	6	0	.500	263	258
Indianapolis	4	9	0	.308	197	342
Buffalo	1	12	0	.077	191	366
Central						
Pittsburgh	7	6	0	.538	331	260
Cincinnati	5	8	0	.385	243	280
Cleveland	4	9	0	.308	186	234
Houston	2	11	0	.154	181	363
West						
Seattle	11	2	0	.846	359	200
y-Denver	11	2	0	.846	293	198
L.A. Raiders	9	4	0	.692	292	228
San Diego	6	7	0	.462	340	348
Kansas City	5	8	0	.385	222	283
NATIONAL CONFERENCE						
East						
N.Y. Giants	8	5	0	.615	255	250
Washington	8	5	0	.615	336	238
Dallas	8	5	0	.615	233	240
St. Louis	7	6	0	.538	332	285
Philadelphia	5	7	1	.423	231	251
Central						
x-Chicago	9	4	0	.692	274	195
Green Bay	5	8	0	.385	305	267
Detroit	4	8	1	.346	250	316
Tampa Bay	4	9	0	.308	257	336
Minnesota	3	10	0	.231	238	364
West						
x-San Francisco	12	1	0	.923	370	187
L.A. Rams	8	5	0	.615	269	260
New Orleans	6	7	0	.462	246	300
Atlanta	3	10	0	.231	232	314

(x-clinched division title)
(y-clinched wild-card playoff berth)

Sunday's Results

Cleveland 27, Houston 10
Cincinnati 35, Atlanta 14
N.Y. Giants 28, Kansas City 27
L.A. Rams 34, Tampa Bay 33
Washington 41, Buffalo 14
St. Louis 17, Philadelphia 16
Pittsburgh 52, San Diego 24
San Francisco 35, New Orleans 3
Chicago 34, Minnesota 3
Seattle 27, Denver 24
L.A. Raiders 21, Indianapolis 7

Monday's Game

N.Y. Jets at Miami

Transition

BASKETBALL

National Basketball Association

CLEVELAND—Waived Robert Smith, guard. Signed Mark West, forward-center.

DETROIT—Signed Brooke Steppe, guard.

PHOENIX—Announced Mike Sanders, forward, will be sidelined for eight weeks due to injury.

FOOTBALL

National Football League

CLEVELAND—Waived James Black, running back. Claimed Stuart Anderson, linebacker.

MINNESOTA—Placed Mark Mullaney, defensive end, on the injured reserve list. Signed Hassan Arbubakrr, defensive end.

COLLEGE

OREGON STATE—Announced the dismissal of Joe Avezzano, head football coach.

European Soccer

SPANISH FIRST DIVISION

Atletico Madrid 2, Santander 1
Malaga 0, Gijon 0
Barcelona 4, Valladolid 2
Hercules 0, Sevilla 0
Valencia 1, Athletic Bilbao 1
Real Sociedad 2, Zaragoza 1
Osasuna 5, Español 0
Murcia 0, Real Madrid 1
Betis 2, Elche 0

Points Standings: Barcelona 22; Real Madrid 17. Valencia, Atletico Madrid 16; Gijon, Sevilla 15; Real Sociedad, Betis 14; Athletic Bilbao 13; Osasuna, Hercules 12; Santander, Español, Zaragoza, Malaga 11; Valladolid 10; Elche 8; Murcia 6.

ART BUCHWALD

Deficit Debate (cont.)

WASHINGTON — Before the first of the two presidential debates, Ronald Reagan was rehearsed by his staff. They chose David Stockman, the budget director, to play the role of Fritz Mondale.

Stockman took the assignment very seriously and raised all the points that the president could expect Mondale to bring up. Everyone agreed the budget director did a good job.

Buchwald

Therefore, when he came into a White House meeting last week and informed everyone that the nation's budget deficit would be more than $200 billion, instead of the anticipated $170 billion, everyone laughed.

"You don't have to play Fritz Mondale any more, Dave. The election is over," one of Reagan's aides said.

"I'm not playing Mondale," David said angrily. "I'm telling you the facts. This is the most disastrous deficit in the history of the country, and it's going to get worse if we don't raise taxes, cut defense spending and get our fiscal house in order."

□

"You may not be playing Fritz, but you sure sound like him," another staffer said. "You know the president doesn't like to hear doom and gloom about the economy."

"Yeh," said another aide. "We don't need you to give us a lot of dark economic forecasts. The American people didn't want to hear it from Mondale, and we don't want to hear it from you."

"Come on, Dave, be upbeat. That's what the Americans expect from Republicans."

Stockman threw his printout on the table. "How can I be upbeat when expenditures are up and revenue is down?"

"You're just cooking the deficit numbers to fit your left-wing socialist economic theories. No wonder you were so brilliant playing Mondale in the debate rehearsal. You believed every word you were saying."

□

"Forget the election and face up to reality," Stockman said. "We're in the red by $210 billion. Making deeper cuts in social programs is no longer the answer. We have to raise money by doing away with present *income tax reductions and coming* up with drastic new taxes that will make it possible for the country to stay in business."

"That's good, Dave. But you forgot to add one thing."

"What's that?"

"The cement factor."

"What cement factor?"

"The president has his feet in cement when it comes to new taxes. He also has his feet in cement when it comes to defense appropriations."

Stockman said, "Then he has to get his feet out of cement and tell us where he expects to cut the deficit."

"Fritz, I mean Dave, why don't you tell the president?"

"Because he won't listen to me. He still believes supply side economics is the answer to all our fiscal problems."

"And you don't believe it is?"

"It hasn't been so far. You have to persuade him that his game plan for the economy isn't working."

"You're crazy. Our job is to make the president believe everything is going along just fine. We're not in the business of bringing the president bad news. That's why he keeps us all around."

□

"So you won't help me see that he changes course before it's too late?"

"You've come to the wrong people, Dave. We're all team players, and if the president thinks he can live with a $210-billion deficit, we can too."

Stockman left the meeting in disgust.

One of the White House staffers chuckled. "You let a guy play Mondale for just one debate rehearsal, and it goes to his head."

London's 'Mousetrap' Is 32

United Press International

LONDON — Agatha Christie's "The Mousetrap," said to be the world's longest-running play, marked its 32d anniversary Sunday. "The Mousetrap" has had 30 changes of cast since it opened in London's West End on Nov. 25, 1952, with Richard Attenborough. It is now at the St. Martin's.

Linda Ronstadt

Can She Make the Vocally Demanding Leap From Pop to Puccini?

By Bernard Holland
New York Times Service

NEW YORK — For Linda Ronstadt, "La Bohème" is a tenuous stopover on the way from from a life she no longer wants to a destination still unknown.

Rock's brilliant queen of the 1970s is 38 years old as 1985 approaches, and on the eve of her formal debut as Puccini's Mimi at the Public Theater, she seems alone in a world she really doesn't know and for which her past has only partly prepared her — "too old to rock and roll," as Jethro Tull once sang, "and too young to die."

Ronstadt may have earned $12 million as a pop singer in 1978, but the steely power that sent "It's So Easy to Fall in Love" soaring, and gave such groaning intimacy to Gordon Jenkins's "Goodbye," helps little in Puccini's opera. The role of Mimi hits Ronstadt's voice in its tenderest spots — her sweet, undeveloped choir-boy upper register and more acutely in the so-called passaggio notes leading to it — the E Flat, E, F and G that carry the voice from its chest tones to those meant to rattle more brilliantly in the cavities of the head.

Ronstadt is clearly worried. "What am I doing? I ask myself," she said after a recent rehearsal, looking shy, cautious, good-natured, a little afraid. Throughout October's rehearsals and November's previews, her moods have swung between cautious optimism and downright despair.

The New York Shakespeare Festival has been giving "La Bohème," which opens Thursday, in Broadway fashion — with eight shows weekly at the Public using interchangeable principals. The role of Mimi, with all its vocal stresses, was not meant to be sung three days a week as Ronstadt is doing. Joseph Papp, producer of the Shakespeare Festival, insists that he has strong enough singers to make the production work on its own merits. He also admits, however, that without Ronstadt — or a big name like hers — "La Bohème" would not have happened.

Out of desire or professional necessity — more likely a combination of the two — the move has begun. It began roughly four years ago with her appearance in the Shakespeare Festival's "Pirates of Penzance" and has continued with the two albums of traditional popular songs with Nelson Riddle and his orchestra, "What's New?" and the recent "Lush Life."

Ronstadt will not likely waste the rest of her life on the past no matter where she turns. She has one of the truest ears and keenest minds in the music business, and as she said: "I've always known my voice could make more kinds of sounds than it did. If I'd been born at the beginning of the 19th century, I'd definitely have been an opera singer; but when I was a teen-ager, I loved Little Richard so much, all I ever wanted was to sound like him."

"I've been doing rock and roll for so long," she continued. "And those songs don't tell my story any more. *I love them,* but they are like old friendships — or love affairs — which didn't turn out to be what they felt like at the time."

After 22 albums and countless tours, Ronstadt is tired. "I've been on the road for 20 years. I'm ready to cool it for a while."

Wilford Leach, who is directing this "Bohème," offered Mimi to Ronstadt three years ago. "First she said she loved the music but wasn't that far along," he said. "But a year after, she came back and said she'd been singing it in the bathtub."

"My father used to sing me the tunes in the car, but I'd never heard it all the way through," Ronstadt said. "To me, 'Bohème' was like an old Buddy Holly song that everyone had forgotten."

Her rehearsals at the Public Theater followed five strenuous weeks of recording sessions with Riddle. "I've been singing five, six, seven hours a day in this new voice I don't know what to do with," she said. "Sometimes I feel like someone let all the air out of my tires, but after a few days, I seem to come back a little stronger than before — like you do *when you're lifting weights."*

Martha Swope

Mimi (Ronstadt) and Rodolfo (Gary Morris).

Rock and roll prizes precision almost as much as it does energy, but in her fanatically well-crafted popular songs of the past, Ronstadt has created her own discipline. She is less untrained than self-trained, and the dictates of Mimi's role lie immutable on pages of music written in another country 50 years before she was born. In addition, she cannot read the score, so armed with a tape recorder and her self-confessed skills as a "parrot," she has listened to those around her and laboriously negotiated every line *of Puccini's music.*

Still, the physical problems weigh heaviest. As Mimi, she is a little like a European soccer player, who, having spent a lifetime concentrating on his legs and feet, is suddenly required to pitch major league baseball. Ronstadt has centered two decades of singing toward the bottom of her voice, leaving the top frail and the passage to it — which demands a blending of chest and head sounds — largely undeveloped.

Puccini meant Mimi for singers trained in negotiating register shifts smoothly, unnoticeably. Between Ronstadt's powerful middle voice and her undeveloped top, however, lies a startling chasm; the bridge between these two territories is just where the role largely lies.

"And there's this idea that I've been systematically working on my voice," she said. "It takes 20 years to make an opera technique. I can't do it in six months. Opera singers develop daily habits over the years — exercises, warming up — which I don't have. And let's say I'm on tour and do have a day off to work. I'm in the middle of Ohio and where is my teacher?"

If Ronstadt's Mimi is different from any other, so is this whole production. *First of all, there is* Michael Starobin, Broadway's star young orchestrator, of "Sunday in the Park with George," who has squeezed Puccini's rich romantic orchestra into a pit band of 12 players. Starobin says all Puccini's music is there, but the unwary will be startled to hear the Italian composer's sweeping first violins squeezed into a single soprano saxophone.

There is also Gary Morris as Rodolfo — a country singer who delivers David Spencer's English adaptation with a Tennessee twang. Virtually no one in the production has sung or played in opera before; few have even seen one. Said one musician after an early rehearsal, "Isn't there any dialogue in this show?"

Leach thinks opera works only if the singing is incandescent, and he was determined to cast good singers with strong personalities who were the right age regardless of any clash of styles. Thus, he is delighted with his Mimi. "I like that break at the top of Linda's voice," he said. "What she does is perfectly pure, though it won't remind you of opera singing. It's why *I also like Americans* doing Shakespeare. They give it a raw energy.

"My interest is in theater, not second-rate performances of opera. But what we are doing is Puccini. It's his plot and his music — not an arrangement of it — though we have moved the action to Puccini's day in the 1890s. I think Puccini might have liked Linda in the part. He was as full of life as she is."

PEOPLE

McQueen Memorabilia Is Sold for $1 Million

More than 1,500 film fans and collectors paid more than $1 million for the belongings of the late Steve McQueen at a Las Vegas auction. They bought such memorabilia as the fire helmet worn by McQueen in "The Towering Inferno," which sold for $1,100. A Jaguar belonging to McQueen, who died four years ago of cancer at the age of 50, was sold for $147,500. Proceeds will go to his children Terri, 25, and Chadwick, 24.

□

Charles and Tessa Rogers-Coltman, farmers in central England, became millionaires when a painting of their ancestors sold for a record price for a work by the English artist **Joseph Wright**, Christie's auction house in London said. The painting, commissioned about 1770 by **Thomas Coltman**, a friend of Wright's, was bought for £1.42 million (about $1.73 million) for the National Gallery. . . . The Metropolitan Museum in New York paid $350,000 in 1958 for three faked works of medieval religious art that were painted by **Pablo Picasso**'s father, according to a former museum director. **Thomas Hoving**, the former director and now editor-in-chief of Connoisseur magazine, said the works were ascribed to Picasso's father, **José Ruiz**, and another artist named **Ozo** by authorities at the Museum of Fine Arts of Catalonia in Barcelona in 1960. The works were bought by the Met in 1958 from two Barcelona collectors.

□

From **Spandau Ballet** to **The Police** and **Duran Duran**, the top names in British rock and pop joined forces at a London recording studio to raise funds for Ethiopia's starving millions. The result of Sunday's session is a single, "Do They Know It's Christmas?" to be released soon. . . . President **Ronald Reagan** has donated a signed Stetson hat to be auctioned at Sotheby's in London for victims of the Ethiopian famine.

□

Willie Hamilton, who once called **Queen Elizabeth II** and her family "the human equivalent of the London zoo," has announced he is to quit the House of Commons. The 67-year-old legislator said Sunday he will not seek re-election at the next general election, due by 1988.

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